DOCUMENT RESUME

ED 316 362 RC 017 397

TITLE	Working Families at the Margins: The Uncertain Future of America's Small Towns. Hearing Before the Select Committee on Children, Youth, and Families. House of Representatives, One Hundred First Congress, First Session.
INSTITUTION	Congress of the U.S., Washington, DC. House Select Committee on Children, Youth, and Families.
PUB DATE	11 Apr 89
NOTE	163p.
AVAILABLE FROM	Superintendent of Documents, Congressional Sales Office, U.S. Government Printing Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Viewpoints (120)
EDRS PRICE	MF01/PC07 Plus Postage.
DESCRIPTORS	Hearings; Homeless People; Hunger; Low Income Groups; Migrant Workers; *Poverty Areas; Poverty Programs; Primary Sources; Rural Areas; *Rural Economics; *Rural Family; Unemployment
IDENTIFIERS	Congress 101st; Project Head Start; *Small Towns

ABSTRACT

Poverty affects many rural two-parent families, even with one or both parents working. High suicide rates, increased violence, families separated in order to find work, homelessness, and hunger afflict the rural and small town poor. This document contains testimony from poor and homeless rural people; the director of the Center on Budget and Policy Priorities; workers in rural health care; and representatives of Head Start, community services, and mental health care. These speakers describe the crisis facing rural families and communities due to rural economic distress. Many rural workers were unable to take care of housing, medical care, and food for their families even holding two or three jobs. A new class of migrant workers is made up of workers from rural areas camping in more affluent areas while doing day work. Several of those testifying cite the failure of the welfare system to help people until they have lost or sold everything, and others testify that private sources also provided no help. Rural workers are characterized as an unorganized, cheap labor source supporting more affluent rural areas of the country. The unwillingness of the federal government to support basic social services and of many private industries to pay a living wage is also discussed. (DHP)

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ED316362

WORKING FAMILIES AT THE MARGINS: THE UNCERTAIN FUTURE OF AMERICA'S SMALL TOWNS

HEARING

BEFORE THE

SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 11, 1989

Printed for the use of the
Select Committee on Children, Youth, and Families

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WORKING FAMILIES AT THE MARGINS: THE UNCERTAIN FUTURE OF AMERICA'S SMALL TOWNS

TUESDAY, APRIL 11, 1989

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES,
Washington, DC.

The select committee met, pursuant to call, at 9:30 a.m., in room 2322, Rayburn House Office Building, Hon. George Miller (chairman of the select committee) presiding.

Members present: Representatives Miller, Rowland, Martinez, Durbin, Evans, Sarpalius, Skaggs, Bliley, Grandy, Holloway, Machtley, Lamar Smith, Peter Smith, Walsh, Weldon, and Wolf.

Staff present: Ann Rosewater, staff director; Virginia duRivage, professional staff; Dennis Smith, minority staff director; Carol Statuto, minority deputy staff director; and Joan Godley, committee clerk.

Chairman MILLER. The Select Committee will come to order. We're going to do something new in Congressional history. We're going to start a hearing early. It's never been done before.

This morning, the Select Committee is holding a hearing on working families at the margins and the uncertain future of America's small towns.

Poverty is generally perceived as a phenomena of the urban underclass, rooted in the ghettoes of our major metropolitan areas. But poverty in America wears many faces and is far more widespread, affecting not only the heart of our cities, but the heartland of our nation.

In hundreds of small towns and rural communities, economic insecurity plagues millions of hardworking families. In addition to economic costs, the social costs they bear are eroding families and communities alike.

Throughout the 1980s, industries that have been the backbone of the rural economy, farming, timber, oil, gas, mining and small manufacturing, have seriously deteriorated. While routine manufacturing and service industries have replaced them as major employers, these industries' hours are variable, many times the wages are low and the health and pension benefits nonexistent or too expensive to be purchased by the employee.

Families living in our small towns and villages are paying a heavy price as a result of this changing economy. While median family income dropped by only one percent between 1979 and 1986

in urban areas, family income plummeted ten percent in rural communities.

The poverty rate in rural America, 17 percent in 1987 and growing twice as fast as urban poverty, rivals the poverty rate in our poorest inner cities. Rural families at the economic margins are predominantly two parent families. We will learn in a new report issued today by the Center on Budget and Policy Priorities, that in 71 percent of the non-metro, non-elderly or disabled low income families, a parent is working. In more than one-quarter of these families, both parents are in the labor force.

High suicide rates among rural youth and adults in small towns in Nebraska and Iowa persist six years into the economic recovery. In the Appalachian region of upstate New York, where plant shutdowns are common, family violence is on the increase and requests from working families for emergency food and transportation have become commonplace. And non-urban areas now claim nearly one out of four of America's homeless.

Where jobs have become scarce in many rural areas, many families are splitting up in order to find work, creating a new class of migrant workers in America. In the metropolitan Washington, D.C. area alone, an estimated 10,000 families from rural West Virginia, Pennsylvania and Ohio were sleeping in regional campgrounds while working in construction and other jobs last summer. The experience is being repeated in cities like Los Angeles and Dallas where jobs are plentiful but housing unaffordable.

Today, we will hear both statistical and personal accounts of working families in America's small towns and rural communities. Twenty-five years ago, Michael Harrington challenged the conscience of our nation in his book, "The Other America." Today, we will hear testimony that suggests that the other America has moved to Main Street.

[Opening statement of Hon. George Miller follows:]

OPENING STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES

Poverty is generally perceived as a phenomenon of the urban "underclass," rooted in the ghettoes of our major metropolitan areas.

But poverty in America wears many faces and is far more widespread—affecting not only the heart of our cities, but the heartland of our nation.

In hundreds of small towns and rural communities, economic insecurity plagues millions of hard working families. And in addition to the economic costs, the social costs they bear are eroding families and communities alike.

Throughout the 1980s, industries that have been the backbone of the rural economy—farming, timber, oil, gas, mining and small manufacturing—have seriously deteriorated. While routine manufacturing and service industries have replaced them as major employers, in these industries hours are variable, wages low, and health and pension benefits non-existent or too expensive.

Families living in our smaller towns and villages are paying a heavy price as a result of this changing economy. While median family income dropped by only one percent between 1979 and 1986 in urban areas, family income plummetted ten percent in rural communities.

The poverty rate in rural America—17 percent in 1987 and growing twice as fast as urban poverty—rivals the poverty rate in our poorest inner cities. Rural families on the economic margins are predominantly two parent families. And, as we will learn from a new report issued today by the Center on Budget and Policy Priorities, in 71 percent of non-metro, non-elderly or disabled low-income families, a parent is

working. In more than one-quarter of these families, both parents are in the labor force.

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**"Working Families at the Margins:
The Uncertain Future of America's Small Towns"**

A FACT SHEET

RURAL POVERTY INCREASES; RIVALS CENTRAL CITY RATES

** In 1986, for the first time since 1975, nonmetro poverty rates were higher than poverty rates in U.S. central cities. In 1987, 16.9% of persons living in nonmetro areas in rural America lived in poverty, a rate nearly as high as the 18.6% poverty rate in central cities and higher than the 12.5% metro poverty rate. (Census, 1989)

** The 9 million poor persons in rural America make-up one-quarter of the total poverty population. One in four children in nonmetro areas compared to one in five children in metro areas lives in poverty. (Census, 1989)

** Between 1979-1986, poverty among young adults and children increased twice as fast in nonmetro areas as it did in metro areas. (Population Reference Bureau [PRB], 1988)

WORK IS A FACT OF LIFE FOR LOW-INCOME RURAL FAMILIES

** In 1987, 71% of nonmetro non-elderly or disabled poor families had at least one worker in the labor force. In 25% of all poor families, both parents worked. (Census, 1988; Center for Budget and Policy Priorities, 1989)

** The number of young adults in poverty in rural areas who worked part-time increased by 70% between 1979-1986. About 25% of young adults in the rural labor force in 1986 held at least two jobs but were still poor. (PRB, 1988)

** Two-thirds of the rural working poor are employed in three sectors: service (28%); trade (25%); and farming (13%). (Census, 1988)

CHANGING ECONOMY FUELS POVERTY GROWTH IN RURAL AMERICA

** From 1986-1987, net rural outmigration totaled nearly one million persons, up from 630,000 in 1985. (PRB, 1988)

** Between 1979-1985, the number of jobs in rural counties grew by 3% compared to 10% in urban counties. (PRB, 1988)

** Between 1981-1987, an estimated 594,000 farms have gone out of business. Almost one-third of all farm households fell below poverty in 1986. (USDA, 1988)

** During the last decade, Iowa towns with populations of 5,000 or less have lost 41% of their gas stations, 27% of their grocery stores, and 17% of their variety stores. (Chicago Tribune, 1989)

** Between 1979-1986, median family income dropped 10% in rural areas, compared to a 1% decline in urban areas. (Prairiefire Rural Action, 1988)

** In 1986, more than half of all nonmetro households were distributed among the bottom two-fifths of all households compared to 30% of all metro households. (Census, 1988)

LOW EARNINGS, FEW BENEFITS CHARACTERIZE RURAL EMPLOYMENT

** In 1987, the median income for metro families was $33,131 compared to $24,397 for nonmetro families. Between 1973-1986, nonmetro income as a portion of metro income, fell from 78% to 72%. (Census, 1988; Hoppe, 1988)

** In 1986, over one-third of poor rural children lived in families with no health insurance. Forty-one percent of poor young rural adults are uninsured. (PRB, 1988)

** More than half of all metro workers are covered by an employer-sponsored pension plan compared to 44% of nonmetro workers. (PRB, 1988)

RURAL POOR RECEIVE FEWER PUBLIC BENEFITS

** Only one-fourth of the rural poor qualify for Medicaid, compared to 43% of the poor in inner cities. (Special Committee on Aging, United States Senate, 1988)

** 18% of the nonmetro poor receive cash welfare assistance compared to 24% of the metro poor. (Greenstein, 1988)

RURAL HOMELESSNESS INCREASES AMONG RURAL WORKING FAMILIES

** Of the estimated three million people currently homeless in the United States, a minimum of 750,000 persons are found in our nation's non-urban areas. Of these, at least 100,000 are children under the age of 18. (Stark, 1988)

** In a survey of 98 rural Community Action Agencies, 75% responded that underemployment was a chief cause of the significant increase in rural homeless families between 1982-1987. (Housing Assistance Council, 1987)

RURAL ECONOMIC DISTRESS INCREASES FAMILY STRESS

** **Colorado**: Between 1979-1986, 24 rural mental health centers surveyed reported, as a percentage of all admissions, increases in child abuse (12.2% to 18.3%) spouse abuse (9.6% to 15.9%); child and adolescent depressions (35.6% to 54.8%); child anxiety admissions (45.9% to 66.3%). (CO Division of Mental Health, 1986.)

** **Minnesota**: A study of 3600 rural adolescents found that "a change in parents' finances" was commonly associated with the onset of stress, depression and attempted suicide. (Garfinkel, Hoberman, 1988)

** **Nebraska**: In a survey of 900 rural residents, the number of farmers suffering from depression doubled from 10% to 21% between 1981-1986. The percentage of farmers and rural town residents suffering from impairment of social, work and family life jumped from 5% to 12%. (Nebraska Department of Public Institutions, 1988)

** **Iowa**: Confirmed cases of child abuse increased by 43.6% between 1982-1986. Spouse abuse reports increased from 1,620 in 1985 to more than 4,500 in 1987. In 1987, the suicide rate increased to 14 per 100,000, the highest since 1958. (Prairiefire, 1988; Blondall and Herzberg, 1988)

Chairman MILLER. Mr. Bliley, I recognize you for any opening statement.

Mr. BLILEY. Thank you, Mr. Chairman.

Although we have passed our days as an agrarian society, we still proudly hold the rich traditions and principles we learned from those times—self-reliance, volunteerism, and a sense of community. Government has always supported rural life through many ways, by shining a light of opportunity, but then standing aside to avoid casting shadows on the individual and the family. For example, the land grant colleges and the Homestead Acts were successful because they were based on investment in the individual. This is the standard which should be applied today.

I believe we ought to keep in mind the important differences between urban and rural poverty as we listen to the testimony today. We have had several hearings before this Committee on children and families in poverty. These hearings focused almost exclusively on the urban poor. Consider these facts.

One of the most important distinctions is family composition. Poor, rural families are far more likely to live in two parent households than families in urban areas. Less than 50 percent of poor families in urban areas are two parent households, while almost two-thirds of families in rural areas are households in which both parents are present.

Another important distinction between rural and urban poor is their work force participation. Rural poor are far more likely to be working than urban poor. However, many of the rural poor work seasonally or part-time and therefore have a difficult time generating enough income. Of the rural poor who do work, over half, 56.5 percent, work less than full-time.

The difference between rural and urban households concerning participation in medical and nutrition programs are significant. Thirty-eight percent of urban poor receive medical benefits opposed to 33 percent of the rural poor. For Food Stamps, however, the participation levels are reversed. Forty-seven percent of the rural poor participate in the Food Stamp Program and 42 percent of the urban poor.

Levels of participation in existing rural health programs is a critical public policy issue. I look forward to the testimony today of Doctor David Sundwall, who is an expert on rural health issues.

Part of the economic problems rural areas are experiencing are traceable to slow population growth and to outmigration, especially among young and better educated residents. Adding to these problems is the slow rate of job creation in rural areas. Between 1979 and 1985, the number of jobs grew only three percent in rural areas compared to ten percent in urban counties.

The economic picture in rural areas is, however, rosier than the statistics reveal. There are clear economic advantages to life in rural America that ought not to be dismissed as we hear testimony today. Even though poverty is greater in rural areas, rural residents are more likely to be property owners. In fact, half of the rural poor are homeowners, compared to only 30 percent of the urban poor.

The cost of living in rural areas has historically been lower than the cost of living in urban areas. This has been true for food, trans-

portation, clothing and medical care. For families with lower budget levels in urban areas, the average budget costs were $15,481 and for rural areas costs were $14,619.

Cost of raising a child is greater in urban areas than it is in rural areas, taking into account the cost of food, clothing, housing, medical care, education and transportation. It has been estimated that not only does it cost less in rural areas to raise a child from birth to age 18, but that the cost of raising a child in an urban area has increased 50 percent faster than the cost in rural areas.

While it cannot be denied that home ownership and employment are advantages shared by the rural poor, there is no question that these benefits incur significant tax burdens. For example, 43 percent of the rural poor pay property taxes, compared to only 28 percent of the urban poor. Moreover, poor rural households are more likely to pay federal income taxes, state income taxes and Social Security taxes because more of the rural poor are working.

Clearly, the families of the rural working poor, need some relief in reducing the tax burden. As a co-sponsor of both Mr. Holloway's proposal, as well as that of Mr. Schulze, I believe that it is time to provide relief from the over taxation of American families with children. Proposals to expand the earned income tax credit as the way of making work pay will be particularly helpful to families of the rural working poor.

Mr. Robert Rector of the Heritage Foundation will discuss earned income tax reform in terms of reducing tax burdens on families by providing federal wage supplements targeted by family size.

There is also a cautionary maxim to heed in developing public programs espoused by President Jefferson in his first inaugural address. "The wise and frugal government shall not take from the mouth of labor the bread it has earned."

As we examine the working poor, we cannot overlook the fact that a significant expense they face is taxes. When we examine ways in which we can help the rural poor of our country, most of whom are working, we should start by considering ways which will help them keep more of what they earn.

Thank you, Mr. Chairman.

Chairman MILLER. Does any other member of the Committee have a statement they'd like to make?

If not, we'll proceed.

Our first panel is made up of Sharon Whitford who is from Charlotte, Michigan, and Myssee Green who is from Bethel, North Carolina.

The tradition of this Committee has been to try not only to hear from the experts about other people's problems, but to try to hear directly from families and children, from caretakers and people who are directly involved in their own struggles with their families; or various predicaments that families in America do experience; or people directly delivering services. We've always tried in this Committee to have a cross section, so we make sure that everybody's views are included.

Sharon and Myssee, we want to thank you in advance of your testimony for coming and tell you to relax. This is a very easy Committee. We're very loose here. We look forward to your testimony.

Sharon, we'll start with you. You proceed in the manner in which you are most comfortable to tell us your story. You have written testimony. If you would like to read it, feel free to do that. If you want to put it into your own words or at some point you want to deviate from it, don't worry about that. We're easy.

Welcome.

STATEMENT OF SHARON WHITFORD, CHARLOTTE, MI

Ms. WHITFORD. I'm one of the many homeless families in Michigan. I wanted you to know that we are alive out there. I'm not only representing myself, but most importantly, I'm representing my husband, Bill, and my two teenage children, Nicole and Gary.

It is a very real thing when one day you have a dream come true and all at once in the same respect you're looking at it and it's gone. We had a dream. We dreamed that we would someday own a farm. We saved for many years to get the downpayment to do that. We worked very hard to use the money we were making at that time for improvements, for the betterment of not only the farm but ourselves.

We hadn't had our farm six months when my husband came home from work one day and he said, "I just got a $2.00 an hour pay cut." That was a reality we had not thought about. That $2.00 an hour pay cut meant $400.00 and some dollars a month. That was half our farm payment.

We called the mortgage company, we called the Veterans Administration, and we told them that we had lost this money. We tried to work with them so that maybe we could get some kind of rearrangement on the amount of mortgage payment we paid, that we wouldn't have to worry about ever losing our farm.

Well, in the end we lost our farm. We couldn't keep up with the payments. My husband, a month to the day after we lost our farm, he also got fired from his job. We had nowhere to go.

In the time that we knew we would have to start looking for someplace else to live, we went to 42 different landlords, different rental agencies in our community and no one would rent to us because it was on a piece of paper that said, "You have bad credit. We can't trust you." I even had people tell me that my husband didn't have a job. He was on unemployment, but that wasn't money. That wasn't money that could be relied on. I had people tell me as a working parent, as a working woman, that my job didn't mean a thing. A woman making what little money I made was not enough to support a family of four. So therefore, what I made, I couldn't support my family.

I work at Mervyn's Department Store. I make $4.22 an hour. I work a 40 hour week. Out of the money I make, I have to pay for my own health benefits. I have to pay to feed a family of four. I have to pay the rent and you can't imagine what it's like when one of your children comes up to you and they want the simple things in life, a new pair of shoes or a new shirt because they have something going on at school and they want to look nice for it. You have to tell them that you don't have the money for them to have these things, to have the basic everyday needs that you are supposed to be able to provide for them.

It's very hard to explain the stress and the mental and emotional trauma that all this has done to my family. My husband and I, we don't communicate anymore. We're both too afraid to communicate because if we open up our feelings that we have inside of us right now, we're both too afraid that you or another person, you're going to take more away from us. We worked for 17 years. We had 17 years worth of memories, worth of household goods that one day we had them, the next day we had to sell them because we didn't have money to survive.

How do you tell a teenage child that one day it's okay to be a kid and to do the normal kid things and the next day it's a different situation and they have to be an adult? I still have not handled that. I don't know how to explain to my children why this has all come about. I don't know how to answer the questions when they ask, "Well, why did this happen to us? Why did the government do this? Why didn't the system?"

All my life as a parent I've told them, "If you work hard, you're going to get what you want out of life. If you work and be proud of what you're doing, then in the end it's going to always go for you." They don't understand that system anymore. To them, it's not real. It's not the basics of how you survive.

When you have a 14 year old son that, upon himself, goes out and bales with a neighbor hay and will bring some money home and hands it to you and says to you, "I want my dad and my mom to have this money I just earned because we need food on the table," that's something as a parent—a child is not supposed to support you. You are supposed to support your child.

All the basics of life have disappeared for us. To us, getting up in the morning is a struggle. I myself very rarely sleep all night long because I know that if I do, there's too much of a chance that somebody's going to come through my door and take my children away or take what I have left away from us. I want to keep that.

I want to keep my job. I want to be a supportive part of this society, but I've had too many obstacles, too many people telling me that I make too much money, that I have to give up my car, that what little that we have left to own, "If you give that up, I'll help you." That's not right. It's very unfair.

I want to be able to support my family but somewhere down the line, if I do need a little bit of help, I should be able to go and get that help. I shouldn't have a social service person telling me there is no way for them to help me for a month or help my family put food on the table for 2 months, or maybe help pay half my rent or put $10.00 worth of gas in my car so I can go to work. I still want to be a contributing member to this society. Don't shut us out.

That's what I feel has happened. We don't like where we're at. We didn't choose to be there. It's a matter of plain survival for us right now. You learn that a $5.00 bill is a $50.00 bill. What you do with it, you have to be very careful.

I would very much like to see the Social Service Department work for everybody. Not just the very poor, but the in-between people that are caught between the cracks and want to keep some of their possessions and want to keep a way of mentally and physically surviving what they've been through, but still be able to get some kind of relief.

Counseling services, that's very important to us to have somebody to talk to. I didn't know that there was anybody I could talk to and the stress of not being able to relate to my family anymore, to be able to help my family, the only way I know for you to understand is when you feel you have no way out, the only last resort for you is to put a gun to your head and kill yourself because then people will notice. I almost did that. So, you begin to wonder if there ever is any way out, as much as we're trying.

On the 1st of May, I don't know whether my family is going to be living in our eight by ten foot camper again. As of March 15, my husband's unemployment ran out. He can't get a job. He's put in 52 applications for jobs. Not one has called him because his former employer has put a black mark on his record.

What do you do?

Chairman MILLER. Well, that's part of what these hearings are about, to figure out how we can match the services and the need. You make a rather compelling case that people who are the working poor, if those two words go together, find very often that the eligibility requirements require them to jettison a good portion of their belongings, their assets and in some cases even, as they told you, you're better off if you quit work. Then they could help you. There's something very wrong with that in terms of its inconsistency with what we tell people in this country about work and about the benefits. That's what this hearing is about.

Thank you very much. We're going to have some questions for you, but we'll hear from Myssee first.

[Prepared statement of Sharon Whitford follows:]

PREPARED STATEMENT OF SHARON WHITFORD, CHARLOTTE, MI

My name is Sharon Whitford and I am representing my family—my husband Bill and my two teenage children, Nicole and Gary.

We were a middle income family, my husband made $18,000 a year as a welder. In the spring of 1986, he took a pay cut of $2 an hour and we started getting behind in making our farm payments. I got a job at Mervyn's Discount Department Store to help out with my husband's pay cut. I've worked there for a year and a half. I earn $4.24 an hour and work 40 hours a week as a customer service representative.

Then my husband lost his job. We got even more behind in our payments. We tried to work with the mortgage company and the Veterans Administration which guaranteed our loan but they seemed to take us as if we were not important, all they wanted was their monthly payment. In the fall of 1987 they had a foreclosure sale on our farm. The VA took our house and left us homeless. We contacted several lawyers to get our home back within the 6-month redemption period but never could get enough to pay.

Our neighbors let us live in their house. It was very difficult emotionally and physically on both families. To make it easier, my husband and I moved into their eight-by-ten foot truck camper and the kids stayed in the house. It eased the stress. We lived there six weeks.

My kids were going to the same school but felt like they had no home to come home to. Several times the kids at school would ask them how they were doing and where they were living and they felt funny because they didn't know how to answer the question.

We finally had to leave our friend's camper and moved into our own 8 by 10 foot camper on some land we owned. My husband slept in a barn on the property while the kids and I slept in the trailer.

Living in a secluded area, I still had to go to work and then had to come and face the questions I had no answers to from my children. They were afraid to ask the questions, because they were afraid of the answers. I felt like I had to block out what had happened in order to give them an environment that was loving and caring of them. It became so stressful that I went out to the middle of the field and had a gun and thought about using it.

We went to our neighbor and they gave us a place to go to—Equal Ground—a program in Eaton County for homeless kids. They give you aid for a month and in that month they expect you to find a place and a job. We were in full agreement. We were put into a foster family home for 7 to 8 weeks and in that time Bill was out looking for jobs, taking the kids to school.

In our search for housing, 43 places turned us down for various reasons: I was told my income as a working woman wasn't enough, my husband didn't have a job, or we didn't have enough money. We even had a couple of people from social services tell us that if we were to sell everything that we had worked so hard for, they would gladly help us. They would help us pay our rent, help us with our food costs, help us with gas to get to work. But we weren't willing to give up everything we owned—like our little bit of land, our two vehicles, a truck camper, and a horse trailer. We had too many assets. They expected us to give it all up.

We came to the decision we didn't want to give it all up. We wanted to be able to work and say, hey, I'm doing my part, I'm trying to keep what I've got, to do the best I can for my family. They didn't want us to do that.

You can't imagine what it's like to have someone tell you that you aren't capable of trying to pay your own way, when you're telling them that you are. It's been very hard on my family. My daughter yells that I don't love her and don't want her to have what she wants. She has talked about running away, that life would be better outside this misery. My son handles it by not talking about it. And it worries me. I think he needs to talk about it.

Where do you go from where we are right now? It's hard for someone to imagine what it's like. At one time having a home, having a family where you could sit down and talk with each other, and all of a sudden you don't do that any more because you are afraid of the answers. You don't want those feelings to come out.

My kids now, when they go somewhere, they want to come home right away to make sure that we are still here. I get nightmares that someone is going to come in the door and take everything away from us. We have no stable life and I don't know if we ever will. But we're working with what we've got. My husband no longer gets unemployment—it got cut off on the 16th of March and unless the people we are renting from can understand our situation that I'm working fulltime and that's all I have until he does have a job, I don't know where we are going to be on May 1 when the rent is due. To live with that day after day, gets very difficult.

If the Social Services Department would start a program for people who fall between the cracks, who want to help themselves, like we do, don't degrade them for that. Don't tell them that they can't do it. Give them hope, give them a program where you're able to have a job and keep some of your possessions. And if for a while you need help, give them some help. Not everybody is going to use the system for their own gain, to feel sorry for themselves. If they keep their job, help them with some food money, or some gas money or maybe a counseling program so you have someone to talk with. Let them know you do care, that they will help themselves.

I want to express to the Committee that I am here not only representing my own family but the families who are too afraid to speak out because they have lost too much. And maybe if one or two people express their innermost thoughts in how it's affected their lives, then maybe we can get some help.

STATEMENT OF MYSSEE GREEN, BETHEL, NC

Ms. GREEN. Good morning. My name is Myssee Green and I'm from Martin County, North Carolina. I am here today to share with you a few of the problems that I have encountered in the line of being a mother and a housewife.

It is a struggle trying to pinch pennies, to make ends meet. I'm a 35 year old housewife and my husband is a 33 year old factory employee. We have a five month old daughter, Amika Jane.

My husband works for Eagle Snacks, a company of Anheiser-Busch in Robinsonville. He earns over $7.00 per hour and he works approximately 40 hours per week. They have a neutral grain system, so when it rains they can't work because—like a water back—you know. I called home today and it's snowing, so he's not working today.

Because of this, sometimes during the winter, he got one check that was only $35.00. But when he works full weeks, we have to try to stretch that out to make up for where the short weeks came. So now, I'm waiting for him to get another full week so that I can go to a doctor.

Home situations right now are very rough, but they haven't always been this way. We want to raise our daughter the way that a child should be raised. We don't want handouts. We want to be able to give her clothing, food, shelter and take care of her medical needs. But on his salary right now, that's impossible.

I worked in the educational field as a volunteer, but it's only part-time. I worked there as a counselor for five years.

In 1984, I worked for W.R. Grace in Weldon. Through working for them, I encountered carpal tunnel syndrome. It is a nerve disease in the hand. It comes from competitive work, you know, from trying to keep up with the pace of machinery. At W.R. Grace, it was mainly a plastic-related factory. A lot of the work was production work and I always ranked from number one through five in production weekly.

When I encountered this in my hand, I went to the management five times to get medical attention, but each time they denied me. So, because of this situation, I had to find another way to get to a doctor because you can't hold anything, you can't hold your hand together long, you can't stand too much cold. By them refusing me any medical help at all, I had to rely on my husband's insurance on his job. At this time he was changing jobs because my father died and we had to move. But anyway, we had to wait six months for his insurance to mature so that I could go to a doctor. So, at the end of the six months, I had the operation and after having the operation, right now I'm still handicapped to a lot of things.

But the company who I worked for still refused to help with any of the medical fees until a lawsuit was filed. Then they still didn't take care of any from the operation, transportation or anything. Because of my condition, I'm not able to hold a job. I'm not able to do my hair. I can't do my daughter's hair. I can't do heavy housework. A lot of times when you bake or cook, I have to have someone remove stuff from the oven. I have been scalded many times because your hands just give away. There's no warning or no notice, it's just there. I've almost dropped my daughter twice because of this condition.

Because of my husband's job, they will not give us any W.I.C., Food Stamps, no medical help. We can't get anything from the system.

I know from the job that—you know, it was like a deliberate firing and whatnot because they terminated me when they found out my condition. I still didn't get the weekly medical premium that was due everyone else. There's a lot of the people at the job that have this condition and there are ones there right now that have it. Some of them, their whole arms are numb and whatnot.

Right now, I need more medical attention to my hand. I need a job because bills and things at home are backing up and I can't keep one and I know when I leave here to go back, I want to try to get one, if it's only for two weeks, because it would help to catch up with bills and whatnot.

Right now we need to have the car worked on, I need to go back to the doctor. My daughter is not in good health right at this moment. All those things need to be taken care of. Because of my condition, I can't do that.

When I first encountered this condition, I came home from the hospital with all these casts on and whatnot. It was frightening to my husband and it caused us to separate for a short period of time. But he finally found a way to adjust to it and we are back together.

I hope by my coming here today, we'll cause you all to do something to help in these situations because we need support.

I am grateful to the church because a lot of the things for my daughter were supplied by them. She drinks formula milk and a lot of times I have to substitute water. Sometimes I add water to juices in order to stretch things so that they meet.

And I'm very thankful for the Center for Women's Economic Alternatives because through them Donna Bazemore has helped me a great deal with my baby, clothing and things of this nature.

I hope my being here today has an impact and helps make a difference in our lives because I know that we only represent a part of several other families that are going through these same things. It seems like that I have been just used until we can't be used anymore and then pushed aside. Through the Center, they have helped me to get a lawyer and whatnot to take my case through because my case has been messed up and shifted around as if they're trying to just get rid of it without paying what is due.

All I look for out of life and want is justice. I try to treat everybody right and I look for the same in return. But when I look at my situation, it hurts. It really hurts. I can't do a third of the things I used to do. I used to drive, but you can't hold a tight grip. It's only limited, maybe just a few minutes. You can't pinch things.

The handicapped have helped me with jobs. In other words, it was like trial job, and all you had to do was put papers on packs of Pampers from Procter and Gamble. But after that holding and movement, you have to let go.

So, this is all I have to say. I thank you.

Chairman. MILLER. Thank you very much.

[Prepared statement of Myssee Green follows:]

PREPARED STATEMENT OF MYSSEE GREEN, BETHEL, NC

Good morning, my name is Myssee Green. I am from Bethel, North Carolina, in Martin County. I am here to give testimony that I am a wife and mother who knows and lives the struggle of pinching pennies—trying to keep mind, body, and soul together. Someone has said that the economy is getting better. This may be so, but I sure don't know about it. I'd like to share some of my problems with you this morning. You understand, we don't want handouts; but, like any parents, we want to be able to raise our five-month-old daughter and to provide clothing, shelter, and medical care for her. My husband, Greg, is thirty-four years old. He works at the Eagle Snack Co. as a laborer. He makes $5.75 an hour and works about forty hours a week—sometimes. That's about $230 a week. Of course, taxes come out of this, plus health insurance for me and the baby.

Things haven't always been as tough as they are now. We used to live in a nice house, but we had to move to a less-adequate frame, cinder-block house with one bedroom, because we were unable to keep the rent paid. We do the best we can, and try to make the best of the situation. I am thirty-six years old and a college graduate. I worked in the educational system as a part-time worker. I also worked as a counselor. My real problem began when I went to work at the W.R. Grace Company of Weldon, NC. This company manufacturers plastic tubes. This was production

work. I was being paid $5.65–$5.70 an hour, but I developed carpal tunnel syndrome and repetitive motion syndrome in both hands from the fast motion of the machinery and movement of both hands. I went to management, requesting medical attention for my hands, but I was denied permission to see a physician. I sought medical attention from a private physician, who referred me to a neurosurgeon. He immediately sent me to see a surgeon, who said I needed surgery immediately. I was denied the privilege of filing for the Company's insurance, but I went to Greenville, to the Pitt Neurological Associates, who performed surgery on my right hand. My arm and hand was in a cast for six weeks.

After a recovery period, I returned to work, where I was immediately terminated. North Carolina is a right-to-work state, and an employer doesn't have to have a reason to terminate an employee. However, I know it was retaliatory firing for an occupational injury I acquired through no fault of my own. I was even denied Worker's Compansation. The W.R. Grace Company contended that my injury was not work-related; so all my medical bills, which amounted in excess to $20,000 were filed under my husband's insurance. I still owe a sizable amount of that bill. The insurance company paid eighty percent. All of this happened in 1984. I was not offered any kind of rehabilitation, so it has made it extremely difficult to do work requiring the usage of my hands and arms for long periods of time.

I have tried to do other kinds of work, such as typing and filing. But because of carpal tunnel syndrome, I was not able to keep these jobs. Now, after numerous attempts to be a mother, I have a beautiful baby girl who is five months old. There are times when I have difficulty doing the little things a mother must do, such as changing her pamper, combing her hair, and picking her up in my arms, because of the damage to my hands by carpal tunnel syndrome. My baby drinks formula. I have to mix three parts water to one part milk to make her formula stretch as far as I can. There are times when we just don't have the money to buy her milk or food.

Actually, Donna Bazemore, from the Center for Women's Economic Alternatives gathered up baby clothers for me, because I didn't have any when she was born. If it weren't for my family, church members, and friends, I don't know that we'd do during those times when we are hungry and cold. We are victims of the system. My husband works hard. He makes too much for us to be eligible for Food Stamps, WIC, Public Assistance, Medicaid, and the Energy Program. Yet he doesn't make enough for us to be able to pay for the barest necessities of life we need. During the cold part of the winter, we can't stay in our cinder-block house. It's too cold without heat, and we can't afford to pay the gas bill; and kerosene is too much. I know my situation is bad, but it could be worse. I'm grateful for friends, family, my church members, and the Center; for they are there for me—to give me support, both moral and spiritual. I know Greg, Myssee, and I are only three of thousands of families that are in the same situation. I hope my being here today will have some impact and help make a difference in our lives. Thank you.

Chairman MILLER. Thank you to both of you. Obviously it's not easy for you to talk about your situation. I'm sure it's been, to some extent, embarrassing that you have to talk about your family in these terms.

I guess what's troubling to me is that both of you are telling us about two families, similar situations but differing conditions, where essentially you've been working all your life.

Ms. GREEN. Right.

Chairman MILLER. And as one of you said, you weren't looking for a handout, but you've been working alternatively or working at the same time with your husbands. And yet you find that when you're in need of some partial assistance, both of you are actually suggesting what you needed was something to tide you over, to bridge that gap that came at various times. For the most part, the formal, governmental institutions were really unable to respond because you weren't poor enough or you weren't out of work or you had a job.

We've heard in this Committee of people who, because of violence, had to leave their homes and were told that they couldn't have shelter until they gave up their jobs. So now they're both the

victims of violence and they have to give up their jobs. Then somebody will give them shelter. There's just something terribly wrong with that system.

I think you also represent to the Committee that from time to time these things happen to families. You're not able to anticipate it in some instances. You don't know that you're going to have a disability in your hands. You don't know that the company is going to institute a pay cut for your husband and these things happen.

What we have to think about is how do we get to those families. You've mentioned, Myssee, that your church has provided you some services and there are volunteer agencies, but we also have to think about how is it that the government can customize services so that we can help.

Otherwise, the answer is really to tell you both to go on welfare. We'll pay for all of your operation. We'll pay for all of your rehabilitation. We'll pay for all of your family, we'll do all of that, or we can pay for a little bit to try to see if we can get you through an economic crisis. I mean those really are the choices that we can make.

And again, it's not because you or your family aren't willing to work. Obviously both of your husbands are—one's been looking for work, it appears, rather ardently, and your husband continues to work.

So, I think as we continue to try to change our methods of public assistance and many members of this Committee have been involved in that, we have to keep an eye out for a growing number of people in this country who are working but yet need partial assistance. As I say, assistance to bridge the gap so that they can continue to participate and we don't inherit the whole caseload.

I think that both of your stories are just very, very helpful to the Committee, to understand how personal these circumstances are for an awful lot of families like yours. I thank you very, very much for coming to the Committee.

Mr. Bliley?

Mr. BLILEY. Mrs. Whitford, do you get any help from any non-government agency?

Ms. WHITFORD. Nobody will help us.

Mr. BLILEY. Sorry?

Ms. WHITFORD. Nobody will help us. We went to churches in our community and we actually got up before the congregation and explained the situation that we were in and asked them if they would maybe furnish a winter jacket for my son or different things like that, the basic things. We weren't asking them for money or that type of thing. It was as if people would lock you out because they were so afraid of how you got to where you are and it was going to reflect on them. So, they just closed their doors on you and put barriers up. We got no answers.

There was one program that made a difference with my family, in the whole 50 miles surrounding us. It's a program that's fairly new to Eaton County, the county that I live in, and it's run by an ex-Baptist minister and a counselor. This man does not judge you. He does not tell you that you should do this or you should do that. He talks to you and he says, "Well, I can put you with a foster family for five or six weeks, maybe let you feel like you're contrib-

uting by paying half of the bill that social services would get." Still, as I was working, my husband was out looking for jobs. That made us feel important. That made us feel needed again, to go through this program and to have a family that cared to take people in our situations in.

Mr. BLILEY. Who paid your way here this morning?

Ms. WHITFORD. The Committee for Youth, Families and Children. I have no money.

Mr. BLILEY. How did you get in touch with the Committee or did the Committee get in touch with you?

Ms. WHITFORD. They got in touch with me.

Mr. BLILEY. Thank you, Mr. Chairman.

Chairman MILLER. Mr. Martinez?

Mr. MARTINEZ. Thank you, Chairman Miller.

This kind of a situation is highly frustrating to me. In your testimony today you said, "you can't imagine," and I guess you were addressing us, "what it's like not to be able to give your child something they need, something they want," even if it's a candy bar in the store when they see it. I see that today in a lot of cases and it still bothers me, it still hurts me. You almost want to offer them help, and then you think, well, you're going to embarrass them or something. So you don't.

The main reason it is so frustrating is because, we hear and see these kinds of situations, and then we hear that we've had *X* number record of months of economic growth. I guess you've read the newspapers too and you've seen the stories where there are more people working today than ever before, that we've had a great economic recovery. Haven't you heard that you're better off today than you were 8 years ago?

How do you respond to that, you personally? Are you better off today than you were 8 years ago?

Ms. WHITFORD. No. I get very angry when I see that and I want to scream and I want to yell at people and I want to let them know that we are alive, we are out here and we are working to make the best we can be for ourselves and for our families. Give us some credit for that.

Mr. MARTINEZ. You know, our founding fathers had a great dream when they enacted the Constitution and they wrote a Preamble to it that began, "In order to form a more perfect union." Among the first things they mentioned was "promote the general welfare and insure domestic tranquility." There are some people that believe that the only words they read in there are "provide for the common defense." And they think that the common defense is defense just against foes from without. I think that we need to provide for a common defense means against foes from within too, foes of poverty, foes of economic oppression.

But we've heard, and I just recently read in U.S. News and World Report, a story about this survey that was done on the homeless and who they are and the myths of homelessness. The article comes back to the same things that were said a few years back; our dear President once said that the only people that were hungry were people that were too lazy to go the soup kitchens. Now, this report says that the homeless are there because they're

either lazy, they're drunk or they're emotionally or mentally disturbed.

Are you any of those?

Ms. WHITFORD. No.

Mr. MARTINEZ. You know, what a lot of people can't conceive of is the phrase "trapped in poverty." Just a little while ago, before the hearing got started, I was talking to my colleague from Georgia, Mr. Rowland, and asked him if he had heard about the crab syndrome or the crab story. I'm going to share that with you and my colleagues because I think it's important that we think in these terms of who these people are, where they are, and why they're still there.

The crab story is about the young man who lived in this very impoverished neighborhood and he wanted to get out. He desperately wanted to get out. He felt there was something better in life. In the community there was an older gentleman who seemed to be doing better than everybody else and seemed to be a little wiser and he went to him and he said, "How do I get out of here?" He said, "Why are we here? Why are we in this situation?"

He said, "Well, you see the crabs in the barrel? Watch them for awhile and that will tell you."

So, he watched and he still couldn't figure it out and he says, "Well, what are the crabs trying to do?"

He told him, "Well, the crabs are trying to climb out of the barrel."

He said, "That's right, we're all trying to climb out of this poverty."

"But watch what's happening there."

As he watched, there were other crabs that were trying to climb up, would inadvertently, or intentionally, trying to get out, pull the other crab down just as he got the top edge of the barrel.

The young man asked him, "Will one of them ever get out?"

He said, "Yes, with superhuman effort and a lot of luck and maybe some help from me." You see? That's the key, "maybe some help from me."

The elderly gentlemen told him, "All of you are going to have to make some superhuman effort," either in making us aware—all of us here on the Hill, not just the few that sympathize with you, all of us—aware that you're trapped in poverty. There's education you need, there's job training you need and there's job opportunity you need to get out of there. Without it, you're not going to make it. We talk about the great liability you are. Well, how are you ever going to be anything of an asset if we don't help?

So, I sympathize with you and I sympathize with your statement about people not understanding about how that child being denied is a great emotional hurt both to you and to him. But I do remember it because I remember when I was a kid, and I came from a family of nine raised through the Depression, where we didn't have skates, we didn't have bikes. I've heard people who had all that during the depression say, "Oh, we were poor." Well, they were poor because maybe they got a new dress or new pair of shoes once a month. But we got used clothes, hand-me-downs, and that was poor.

There's poor and there's poor. Today there are too many poor in this country that are at that poor/poor station. I hope somehow we can help you.

Chairman MILLER. Mr. Smith?

Mr. SMITH of Vermont. Thank you, Mr. Chairman.

I just really want to thank Sharon and Myssee for being here today. I think as you can tell already from the three people who have responded from the Committee, it matters. We can have reports like this fill our shelves and it's just numbers.

I want you to know that you speak for many, many families in Vermont. We are one of the most rural states in this country. We are considered, as I'm sure Michigan and North Carolina are, to be a very beautiful place. For me, as one who grew up in that state, I've understood all my adult life that behind that beauty, which is really a facade and you see a beautiful farmhouse off against the trees and it looks so nice, really, behind it is poverty.

There are those that can come to our state and drive through it and enjoy it and go away. Then, for many, many, many of the families who live there, that beauty is the trap that's just been described.

You make the case for something I call the Family Living Wage Bill. There are two or three different bills, but basically you make the case for a national policy on income. I understand that families that are caught between welfare and the poverty level, and there are millions of families that are caught right there, that we need to figure out a way to endorse and support work, and at the same time endorse and support the fact that you can both work and still be below the poverty level in this country, way below, and not able to do the things that you live with and experience everyday.

I'm reminded of a woman who was almost going to be here with you from Bennington, Vermont, named Stella Hoot, who I've known for about a year, who is exactly in the same situation. She got a job and she went to school and she got her benefits cut. She was getting off welfare and the choice was very clear for her, either go back on welfare and let the state and the feds take the whole role and be dependent with her four children and without a husband, or keep working and lose money.

There's just got to be a way for us to be smarter about bridging the gap for people. Customizing is a good term. We've got to get smart about it because it's costing us people and it's costing us hope and it's costing us our future.

I appreciate your being here. I think we're going to see some of that legislation. We're going to argue about what it ought to look like, but we're going to see some of that legislation. If we can ever figure out a way to make our rules and our regulations smarter, so that people who need a little help get that help before they need a lot of help, it just makes sense. The dearer our money is, the more we need to do it.

Anyway, so I just want to thank you. Thank you for being here. I know it's not easy, but it matters and it's made a difference.

Chairman MILLER. The other Mr. Smith?

Mr. SMITH of Texas. Thank you, Mr. Chairman.

Mrs. Green and Mrs. Whitford, let me thank you for being here as well. I know it's not easy to come before a lot of people and have

to talk about personal problems, personal situations that you're not comfortable with. While it might seem that you're before a lot of strangers here today in this room and up at these tables, I doubt that there's anyone here that wouldn't help you if we possibly could. So, consider yourselves among friends.

Let me ask you a couple of questions in regard to your testimony, really just for my own clarification and to make sure that the government is doing everything that it possibly can to help you all.

Mrs. Whitford, have you tried to get Food Stamps and Medicaid and tried all those kinds of government programs?

Ms. WHITFORD. Yes, sir, three times.

Mr. SMITH of Texas. Three times? What was the reason that they turned you down?

Ms. WHITFORD. They told us that we had too many assets. If we would sell our eight by ten foot pickup camper, if we would sell our second vehicle, if we would give up what we——

Chairman MILLER. You're currently living in the camper, right?

Ms. WHITFORD. Not at this moment.

Chairman. MILLER. Not at this time?

Ms. WHITFORD. But we feel like we cannot give it up because that's our home.

Mr. SMITH of Texas. And government aid was contingent upon your selling those particular assets?

Ms. WHITFORD. Yes.

Mr. SMITH of Texas. OK. What are those assets valued at? Do you have any idea?

Ms. WHITFORD. Yes. They are worth, if we were to sell them, exactly $3,694.00.

Mr. SMITH of Texas. Not much. Is your husband now seeking work? Does he continue to seek work?

Ms. WHITFORD. Yes. He calls—he's put in 52 different applications. He's been as far away as Jackson, which is 30 miles from where we live, and he calls these places everyday because they don't call him. He wants to know why they haven't called him. Most of them, as of the other day, have hired somebody else. When he asks the reason that he didn't get called, there's no answer for him. There's no answer as to why, with his experience, he can't get a job.

Mr. SMITH of Texas. Is his willing to work for anything over minimum wage, in any particular position that would be available?

Ms. WHITFORD. Yes.

Mr. SMITH of Texas. And he just hasn't gotten any offers?

Ms. WHITFORD. He's even put in jobs for janitors that pay $5.00 an hour and they don't call him because his former employer has it on his record that he hurt his back at work and he is now considered too high of a risk.

Mr. SMITH of Texas. And that's the reason given?

Mrs. Green, let me ask you a couple of questions, if I may. I saw in your testimony that after you finished working, you had been denied Worker's Compensation. Did you go through the entire appeals process on that and still were denied at the end?

Ms. GREEN. Yes.

Mr. SMITH of Texas. I don't know the details. I just wanted to make sure you'd gone through the entire process. And what about

your efforts to find a job, say in the last two weeks? What have you done?

Ms. GREEN. Well, I have applied for jobs. But I know that I can't do them. And if they know that you have had an operation for this, they will not hire you anyway. So the only way that—you know, the only chance that I have or the only good outlooks of possibly getting a job is through the handicapped. And most of the time, those are like trial jobs.

As I told you earlier, because of this situation, it caused everything to get out of proportion. And if you apply for certain jobs, you have to dress accordingly for those jobs. And if you don't dress accordingly, they will not give you those jobs. I mean, if you don't have income for clothing, you can't buy the clothing to suit that special position. They won't even consider you for it.

Mr. SMITH of Texas. On the subject of income, you mentioned that your husband made about $230 a week. What are your typical weekly expenses that you all have?

Ms. GREEN. Well, we have normally——

Mr. SMITH of Texas. Do you pay any rent or——

Ms. GREEN. Yes, we have rent to pay. We have moved from where we were to a less expensive home. So now we stay in a cinder block house, and in the winter it is very cold. We heat with gas, but a lot of the time we have to add on kerosene.

Mr. SMITH of Texas. How much is your rent, and how much are your utility bills, things like that?

Ms. GREEN. Right now, the rent is $80 a month.

The utility bills are $25.

The light bill right now is $131, because when the gas and oil runs out we have to use electricity. And sometimes if it's still too cold we have to go and stay with my mother.

The gas bill runs $70 for the tank. It normally lasts about six weeks.

And we have a water bill of $21.

Mr. SMITH of Texas. That's pretty close to using up $230.00.

Ms. GREEN. Right. Plus, that doesn't even include the car expense; transportation for him, you know, getting to and from work.

And then with these insurances, you have to pay a medical deduction. And I need to go to the doctor now, but I have to wait until he's able to meet that deduction before I see him.

Mr. SMITH of Texas. Mr. Chairman, I don't have any other questions. Thank you.

Chairman MILLER. Mr. Holloway?

Mr. HOLLOWAY. Sharon—well, let me say before I do this, number one, we appreciate your testimony and I'll just reiterate what Mr. Smith said. Before I ask the questions, I'll say that I grew up in a very poor condition of four boys in one room and no indoor bathroom. And so, you can understand that my question comes from the point of where I grew up in poverty also. We didn't consider it poverty then, because I guess everyone was in poverty.

But I just want to say, has your husband been on unemployment since the day he was fired or an appropriate time after that?

Ms. WHITFORD. He went on it a week after.

Mr. HOLLOWAY. All right. And what is the unemployment rate per week in Michigan?

Ms. WHITFORD. They give you 80 percent of what your base pay was, which for him, every two weeks he would go to the unemployment office and he would bring home $482.00.

Mr. HOLLOWAY. $482.00 every two weeks. So about $240.00 a week. Now were you working before he was laid off?

Ms. WHITFORD. Yes.

Mr. HOLLOWAY. So I guess I don't understand. I don't understand really basically where the poverty falls in on your part. If he's drawing unemployment from the time that he was laid off and if you've been working, I apologize to this Committee, but I don't understand really—let me ask you this question before we go any further. What is the size of the area of the town you live in?

Ms. WHITFORD. We live about eight miles from the capital of Michigan, Lansing.

Mr. HOLLOWAY. OK. And for you to rent a home in your area, what does it cost? I mean, for a very modest home, something that you would be looking for?

Ms. WHITFORD. What we are renting right now is the only thing that anybody would let us into. It costs us $450.00 a month for a very small two bedroom.

Mr. HOLLOWAY. All right. Well, from my calculation, you should be taking home over $400 a week. In my area, I'm sorry, I don't consider that poverty.

Ms. WHITFORD. What do you do when you have to pay rent, you have to pay for food, you have to pay a light bill? You have to have a phone, because if you don't have a phone there's nobody that can get a hold of you if they do decide to call you back on a job application. These bills have to be paid. When you pay the bills, what do you have left? You have nothing.

Mr. HOLLOWAY. Well, from any payment that I've ever seen, 25 percent of your monthly payment for rent is not a bad percentage. I don't—you know, growing up—and when I was told about buying a home, that's not a bad rate to take. I apologize if I'm wrong in this, but I—you know, I don't think the government can be everything to everyone. And I think if we have to go to our earned income credits, which would go to you in your job, would go to your husband in his job, through child care, I think we have to do it through tax credits of whatever type we have.

You know, I just have to rest my case. I don't understand really why you would be here as a witness, other than the fact—you know, at $400 a week in Michigan in my part, I'm sorry. You know, I just feel with the proper budget restraints and all, there's no reason for a person to be in the poverty level or doing without. Because we sure—I don't understand it.

Ms. WHITFORD. May I answer you?

My husband is now classified, because of his back injury, as a handicapped disabled person. That is why they are not going to give him a job.

Mr. HOLLOWAY. But you're making—you made $20,000 year in the past time that you've been off.

Ms. WHITFORD. No, not now we don't. Not now we don't.

Mr. HOLLOWAY. Well, but that—we've been testifying on the past, not what's going to happen in the future.

Ms. WHITFORD. The past is me. When his unemployment ended, we—our place, our ability to pay where we are renting right now, that $450.00 a month, also ended. Because, I only make—every 2 weeks, I bring home $236.

Mr. HOLLOWAY. I agree with you in the future, but we have talked about the past all this time. And I do not understand why you've been out of a home for all this time, when you're taking in $400.00 a week. I'm sorry, I do not understand that.

Ms. WHITFORD. Because on a piece of paper, when you have a credit check and they say:

"Well, you have a foreclosure. You have a bad credit rating. We are not going to deal with you. We are not going to rent to you. We do not acknowledge you as a working part of the community."

I've had people in the Social Services Department, I've had people at the rental agencies actually tell me to my face that I am no good. I don't mean a thing to them. What it means to them is that on a piece of paper, because you are trying to make it with what you have, they are looking at that piece of paper, they are saying, "You are no good. You have no way, no means to better yourself."

Mr. HOLLOWAY. Well, I didn't understand how the churches—and, you know, I could not understand how the churches could turn you down. But I can, under the situation that I hear now. I do understand why they turned you down for help. I have cousins and people working in Michigan who have gone from Louisiana with a very high unemployment rate. You know, I just have to believe—I don't know what the unemployment rate is in Michigan. What is it?

Ms. WHITFORD. It's 8.2 percent.

Mr. HOLLOWAY. All right. You know, I can see where there may not be a welder's job. But still, unless he'd done something and had a very bad record from his past employer, you know, I just have to feel that there should be some type work available.

But I'll end mine, because I think I made my point. Thank you.

Chairman MILLER. Mr. Grandy?

Mr. GRANDY. Thank you, Mr. Chairman.

Myssee, looking at your testimony, do I understand from what you told us here that the problems that you really began to encounter began when you lost your job and were not able to collect any Workers Compensation, right?

Ms. GREEN. Right.

Mr. GRANDY. For what was diagnosed as carpal tunnel syndrome?

Ms. GREEN. Right.

Mr. GRANDY. Well, I have more than a passing interest in that, because I represent a lot of the meat packing industry in my part of the world. And this is a very common ailment.

What I don't understand here is how, unless you were playing exorbitant amounts of tennis, it was designated as nonwork related that you had carpal tunnel syndrome. In the meat packing industry, it's aggravated by this constant movement. Now I assume you were doing something similar on the line at W.R. Grace.

Can you just give the committee a little bit of an idea of how it was determined that that particular injury that caused the condition that you're in that precludes you from getting back into the work force now was designed as something that was not work related? How did they make that determination?

Ms. GREEN. The plant where I was working, W.R. Grace, made that determination. I suppose, it was to keep me from getting medical help. They tried to refer me to other places. And you know, when the doctors began to really like, you know, cry in on them that this was my condition——

Mr. GRANDY. Excuse me. You got a second opinion that indicated that you did have carpal tunnel syndrome?

Ms. GREEN. Yes.

Mr. GRANDY. And was there any other instance where you made a repetitive motion that would have produced carpal tunnel syndrome outside the work place?

Ms. GREEN. No. No, because I don't play tennis at all. But, no. I mean, excuse me. I'm not trying to be funny. But see, at first I was a trimmer when I first began to work there. That is, you take the knife and you go into the little plastic containers that they make.

Mr. GRANDY. Well, my point is you have to work very hard to sustain this injury. You have to do this thousands of times.

Ms. GREEN. Right.

Mr. GRANDY. And, you know, this is a constant battle in the meat packing industry. And companies like I.B.P. and others have been assessed huge damages for not addressing this.

As a member of the Education and Labor Committee, which sometimes has some jurisdiction over these kinds of occupational health and safety matters, I'm astounded that this happened. You know, I realize that this is a hearing to discuss rural poverty. But I think what we're dealing with here, if your testimony is valid, and I assume that it is, is that the crack you fell through was you were denied some justice on this case. Unless—and I'm not——

Ms. GREEN. So true.

Mr. GRANDY [continuing]. An attorney, but it seems to me that there should have been some compensation. Iowa is a right to work state too. They also have Workers Compensation, and they are sensitive to some of these occupational safety matters.

But I can't understand how—did you seek a private counsel or legal services to help you in this when you were denied Workers Compensation?

Ms. GREEN. Well, they were sending me to some. But they had to go through a process. And by me being, you know, where I had to drive almost 60 miles to work, it was too far. And you have to be in that county for that help. And so they were telling me to go to my county and apply for it, but in my county they didn't have any. I couldn't get it. So that is the reason I had to wait for my husband's insurance.

And see, in that plant trimming that plastic, it is something that you constantly do.

Mr. GRANDY. Sure.

Ms. GREEN. You do it your whole eight hours. And a lot of times, they had us work 12 hours. And a lot of the people in that plant, you know, already have that condition.

And see, when they sent me to operate machines, you take the stuff out, you hit it down. They told me that's where my greatest damage came from was knocking the flashing off the product that comes out of the mold.

Mr. GRANDY. They say you injured yourself when you brought your hand down?

Ms. GREEN. That's where a lot of it came from. Because it started as a trimmer. You see, your arm is constantly going around those corners with the knife.

Mr. GRANDY. Yes. It's constant stress on the ligaments, is it not?

Ms. GREEN. Right.

Mr. GRANDY. I mean, it basically just tears them apart over time.

Ms. GREEN. Right. But they refused me any medical help, because the plant was trying to say that it was not job related at all.

Mr. GRANDY. Do you know, does the W.R. Grace Company pay any carpal tunnel syndrome damages to people who are——

Ms. GREEN. Yes, they do.

Mr. GRANDY. But for some reason, they didn't pay you.

Ms. GREEN. Right. And they, you know, tried to get me to either quit or try for another job. And a lot of other people there, their hands have started getting numb and arms going to sleep. They were giving them a lay off. That was their way of easily getting rid of you. And they tried that with me, but the doctor said mine was too far gone and it was really no help for it, nothing but the operation.

Mr. GRANDY. But your physician did say that he felt this was work aggravated, right?

Ms. GREEN. Right. They told them. Because the physician operates on many of the people from right there in the plant. But I didn't know this until I became a victim of it.

Mr. GRANDY. How long did you work there before you encountered this problem?

Ms. GREEN. About 6 or 7 months.

Mr. GRANDY. You'd been there 6 or 7 months.

Ms. GREEN. Right.

Mr. GRANDY. Working 8-hour days?

Ms. GREEN. Eight and twelve.

Mr. GRANDY. OK. Did they say that you hadn't worked there long enough to aggravate the syndrome?

Ms. GREEN. Yes.

Mr. GRANDY. So in other words, they thought you got it too quickly?

Ms. GREEN. No, because others who started when I started, some of them had an operation two or three months before I did.

Mr. GRANDY. And you did not utilize legal services or any kind of——

Ms. GREEN. Yes. The Center for Women, they're helping with that right now.

Mr. GRANDY. OK.

Ms. GREEN. They tried to get out of it, but they haven't given me any support from that day until now.

Mr. GRANDY. Well, I can commiserate with you on this matter, because this is a common one in my area. But it seems to me as though what we're dealing with here in your specific instance is

somebody who perhaps was denied some due process. And it relates to a poverty matter, but it's not I think necessarily a subject for this hearing.

I am very concerned, quite honestly, that these kinds of carpal tunnel syndrome cases are still not being addressed, because this is something that there have been many committee hearings on and I felt some progress had been made.

Thank you for your testimony.

Thank you, Mr. Chairman.

Chairman MILLER. Mr. Durbin.

Mr. DURBIN. Thank you, Mr. Chairman.

I apologize for coming in late, but I read through your testimony. Hearing your statement, Ms. Green, about your experience, reminds me why I decided to leave the practice of law, and particularly Workers Compensation, and run for office. The frustration you've been through is repeated many times over in my part of America, people who are either waiting for that Workers Compensation decision or not getting a favorable decision but finding themselves sufficiently disabled not to work but not sufficiently disabled to qualify for any help. And I really don't know the answer to that.

As Mr. Grandy has noted, it's a problem that's common across America. Most of the jurisdiction in this is in the state legislature and not in the halls of Congress. But we certainly have to be more sensitive to some of the problems facing rural America, and I think that's the reason for our hearing here.

Ms. Whitford, I'd like to ask you, if I could, there were some questions asked earlier by one of my colleagues who unfortunately had to leave for some reason that I'd like to follow up on. How long was your husband on unemployment?

Ms. WHITFORD. Thirteen weeks.

Mr. DURBIN. He was on it for 13 weeks. So this talk about your getting—pardon me?

Chairman MILLER. What? a windfall?

Mr. DURBIN. Yes. So this windfall that came his way or your way of $400 a week lasted for about 3 months. And then after he went off of unemployment compensation, did he get any additional income after that?

Ms. WHITFORD. They told him he wasn't eligible.

Mr. DURBIN. So your income was all your family had to live on?

Ms. WHITFORD. Yes.

Mr. DURBIN. It's a shame my colleague left before he heard that, or maybe he did hear it and it didn't register with him.

But it strikes me that you wouldn't be dealing with $400.00 a week in disposable income after that 13 week period. Things changed rather dramatically.

I don't want to go through your testimony. It's excellent and points out some of the graphic problems people are facing trying to cope. But it's a shame if an impression was created earlier with the questions, that you have $400.00 to burn and just can't understand why you can't make it.

Ms. WHITFORD. I wish I did. I wish I could say I had the money to be able to save enough to pay the rent, to buy extra food, to buy—to pay medical bills. You know, you're talking about things that are put upon us, and we try to work with.

We tried to work with the Workers Comp. that my husband is dealing with. We had to go to a lawyer and his case still isn't before the court.

Mr. DURBIN. It takes forever. I know that from my personal experience. It takes forever. And if you don't have a former employer who is cooperating with you and saying, "Well, we'll pay you something as the case is pending," and most of them don't, then you're sitting there absolutely out of luck. If your husband's in a position where he can't work, I don't know how a family keeps it together. I don't have a notion as to how it would work.

But I hope that some of the things that we've added here in these questions may clarify some of the points raised earlier by my colleague. And I hope we'll have a chance to send him a copy of this part of the testimony so he understands a little better what you're faced with.

Thank you.

Chairman MILLER. Mr. Weldon?

Mr. WELDON. Thank you, Mr. Chairman. I want to say I look forward to working with this committee as a new assignment for this session for me. I will try to use my background before coming to Congress both as a local elected official and more importantly as a father of five, to assist in our deliberations.

And I want to thank both ladies for coming in for their very pointed testimony, and for giving us a very realistic appraisal of their own personal situations.

I don't want to go through your individual cases any more than you already have. I think you've been very explicit. The only question I do have, I guess, is for Ms. Whitford.

I think that you had stated earlier that your husband had been fired?

Ms. WHITFORD. Yes.

Mr. WELDON. In most states, you cannot collect unemployment if you're fired from a job. So, perhaps you can explain that?

Ms. WHITFORD. Under the reasons that they fired him, which in the state of Michigan on an unemployment application—to reap the benefits of getting unemployment, they have codes that they use like probably any system does. The code that they put my husband under was an attitude problem, and therefore it was—they fired him because of it.

Mr. WELDON. In other words—it seems to me there was a separation that both sides agreed under which he would leave but he had to be eligible for unemployment. Is that really what it was?

Ms. WHITFORD. Right.

Mr. WELDON. OK. I understand.

Once again, I think the stories here are somewhat incomplete, Mr. Chairman. And I say this as someone who was born and raised in a very poor town, was the Mayor of that town for five years, and was Chairman for five years of a large suburban county of 600,000 people, being on the receiving end of many of the programs that are designed by the federal government, state government, and local government to aid these kinds of problems.

And I think for us to gain a full appreciation of these individual situations these ladies obviously were not aware of any programs that were available to them. However, I think for us to understand

what's really happening in their cases, we should ask the questions of what these individual counties and jurisdictions are doing with the dollars that they've been getting?

For instance, I want to know how are they implementing their community services block grant monies? Where are those dollars going? What agencies are they being funneled to? How are those agencies providing emergency services to people who have problems like this? What are those counties doing with their community development block grant funds? Where are those dollars going? What kinds of agencies are being funded and what kinds of networks are established?

We've heard stories about unemployment. Where are the private industry councils that are getting Job Training Partnership Act funds? How are those dollars being used locally to support people who are out of work?

I could tell you specifically in my county and my district how all those programs come together to meet the kinds of problems that were dealing with today. We don't always win, but in most cases we can assist people in emergency situations with temporary problems in their lives.

For instance, do the counties have antipoverty agencies? And if so, what are those antipoverty agencies doing?

Where you even aware of them? Now, these aren't your problems alone. What I'm saying to the Committee is that they're the kind of questions we should be asking of the jurisdictions where you reside. Because that would give us a clearer picture as to why the support system is not working in your cases. And these funds are coming into your states and they are coming into your districts and they're being used by someone. You obviously are not aware of them, or perhaps have not been told about them. Or perhaps they're nonexistent.

But those dollars are going someplace. And I think for us as a Committee to understand why the delivery system is not working, we've got to ask those questions of those jurisdictions. So I would think before we could rush in any judgments on these cases, that we should somehow through the Committee staff or through our own efforts find out what Martin County and Eaton County are doing with those dollars that are coming both from the federal government, which in most cases should be matched by state funds, and what local funds the counties are providing.

I could give you clear pictures in my own county of our antipoverty programs, our agencies, our use of C.D.B.G. funds, C.S.B.G. funds, and Job Training Partnership Act funds. In these cases, though, I just don't hear of any of that network being available. And I think for us to get a clearer picture, we need to see that whole scenario and find out where it's not working.

I want to thank you both once again for testifying.

Chairman MILLER. Thank you.

Mr. Machtley?

Mr. MACHTLEY. I'm sorry I wasn't able to hear your testimony. I've read through it. Your stories are certainly, I think, representative of the tragedies that occur in our country. And I would concur that we need to look beyond the tragedy to find out how we can

better insure that the federal and state assets become available for people like yourselves.

Thank you.

Chairman MILLER. Mr. Walsh?

Mr. WALSH. I'm going to pass.

Chairman MILLER. Well, thank you very much. I think you can see that you've started a debate here, which is the purpose of your testimony. Because, I think a number of the questions that have been raised by members of the Committee are very important.

I think also—I hope it is pointed out to members of the Committee that you may not be officially designated at the poverty line or in poverty in America and you still may be poor. And that you may be needing services.

I think Mr. Weldon has raised a number of serious questions that we need to answer. How is it that when we put together a network of social services, people such as yourself continue to fall through that network? And what is it that we're doing wrong? Budget cuts or direction or design of those programs? Because, obviously you're not alone. We're about to hear now from another panel that's going to describe to this Committee the fact that there are millions of individuals, members of families that are caught up in your problems.

So I want to thank you very much for taking your time to come with us and to share your stories and for your courage in doing that. Obviously, we wish the very best for you and your families.

Thank you very, very much.

We will next hear from Robert Greenstein, who is the Director of the Center on Budget and Policy Priorities, Washington, D.C.;

David Sundwall, who is the Vice President and Medical Director of American Healthcare Systems Institute in Washington;

Joan Blundall, who is the Coordinator in Consultation and Education at Northwest Iowa Mental Health Center from Spencer, Iowa;

And Marilyn Natoli, who is the Director of Child Care/Head Start, Opportunities for Chenango, Inc., in Norwich, New York.

Welcome to the Committee. We will recognize you in the order in which I called your name. I have just been informed that the big Chairman of this Committee, who's room we're borrowing, Mr. Dingle, apparently is scheduled to be in here at 12:30. So we're going to try to divide the time between you and the next panel as evenly as we can. So if you will, keep that in mind to the extent to which you can summarize your testimony so you can allow for questions by members of the Committee.

Bob, we'll start with you. Welcome.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Mr. GREENSTEIN. Thank you, Mr. Chairman.

I am Robert Greenstein, Director of the Center on Budget and Policy Priorities, a nonprofit organization that conducts research and analyses on a range of public policy issues, with emphasis on issues affecting low income families and individuals.

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For the past year, we've been conducting research on issues relating to rural poverty under a grant from the Ford Foundation. I'd like to share with you some of our findings today. As you know, we're releasing in conjunction with this hearing a report on poverty in rural America and which I think you have a copy of.

There's certainly little question that the concentrated poverty in America's large cities is serious and demands attention. But in focusing on that, we too often tend to overlook the serious poverty problems also affecting many rural areas.

Mr. Chairman, not many Americans realize the poverty rates are higher in rural than in urban areas. In 1987, the latest year for which we have the data, nearly 17 percent of Americans in rural areas, more than one of every six, fell below the poverty line, the poverty line being only $9,000 a year for a family of three in 1987. By contrast, 12.5 percent, about one out of every eight Americans in metropolitan areas were poor.

Now to some degree this isn't entirely surprising, because the metropolitan areas include the suburbs. So let's remove the suburbs and compare rural areas just to the central cities, the areas within the city boundaries, no suburban areas included. When we do that, what we find is that poverty is now nearly as high in rural America as in the nation's central cities. About 17 percent of the rural residents are poor; 18.6 percent of the central city residents are poor.

Poverty has risen as rapidly in the past decade in rural areas as in the central cities. And now the poverty rate in rural America is as high as it was in 1975, the deepest recession year of the 1970s.

Now what gets more striking is when you look at particular racial ethnic groups, age groups, demographic groups, you find that poverty for most of them is as high or higher in rural America than in the central cities. And, this may surprise the Committee, this is particularly true of black Americans.

One-third of all blacks living in the nation's central cities are poor. That is a very high poverty rate, 33.3 percent. But in rural America more than two-fifths, 44 percent, of all black Americans living in the rural United States are below the poverty line.

Among whites and Hispanics, the poverty rates are also as high in rural areas as in the central cities.

Among female headed families, the poverty rates are as high in rural America as in the central cities.

Among black two parent families, the poverty rate is more than double in rural America than it is in the central cities.

Among children, the principal concern of this Committee, the poverty rate is higher in the central cities, but not by much. It's about 30 percent in the central cities. It's 23 percent in the rural areas.

And among black children, these figures I think you'll find astonishing; 46 percent of all black children in the central cities are poor. Certainly, that's not acceptable; 57 percent of black children in rural America live below the poverty line.

While poverty rates in rural America are similar to or in many cases higher than poverty rates in the nation's cities, the composition of the poverty population differs in rural and in urban areas.

The rural poor are more likely than the urban poor to live in two parent families. They're more likely to work. They're also more likely to be white, because the rural population in general has a lower proportion of minorities than the urban population.

It's striking the degree to which the rural poor live in two parent families. Of all the rural poor living in families, more than three-fifths live in families in which both families are present. Single parent households are not the principal cause of high poverty in rural America.

Similarly, poor residents of rural areas are very likely to work. Nearly two of every three poor families living in rural America contained at least one worker in 1987. Nearly one in four had two or more workers. Of those families that didn't have workers, they often were families in which the only adults were elderly, disabled, or handicapped.

We look at those heads of families, people we count on to support their families, those heads of families of rural families who are poor and who weren't ill, disabled, or retired. We find that more than 70 percent of them were people who worked.

If we look at two parent families who are poor in rural America, where the family head isn't elderly, ill, or disabled, we find that 86 percent of them work.

Even among single parent families that aren't elderly, disabled, or retired, more than half of them work.

Now as these figures might indicate—let me just mention too, these are all—these are not figures we've computed. Every figure I've mentioned is straight out of the tables of the U.S. Census Bureau. Every one. There's nothing we have done with these numbers. We've just looked them up in the Census tables.

And what the Census information also tells us is that the poverty rate for all kinds of rural working families, white and black, two parent and single parent, families with a full time worker, families with a part time worker, you take the category, the rule holds true that the poverty rate is about double in rural areas what it is for urban areas. In other words, a family in which the household works is about twice as likely to be poor in rural areas as in the metropolitan areas. I'll give you a few final quick figures on this.

In 1987, 28 percent of all rural black families in which the family head worked were poor. Fourteen percent of all black families in rural areas where the family head worked full time, full year, were poor. Now think about that figure. That means that the poverty rate was higher for black families where the head worked full time all year long than the poverty rate for the country as a whole, including unemployed people, people on public assistance, people who are disabled, people who are elderly.

A third of all the single parent families in which the head worked in rural areas were poor. Now it is fairly clear, if the family head works full time year round and the family remains poor, the cause of poverty is no mystery. It is low wages. It's a very simple conclusion, an obvious conclusion there. And not surprisingly, we find that wages and earning levels are considerably lower in rural areas than in urban.

Researchers at the Department of Agriculture have found that the average earnings of rural workers are over $1,100.00 lower

than the average earnings of urban workers. And that the average earnings of rural workers were 25 percent lower than the average earnings of their urban counterparts in 1986. The average income of a poor rural family that gets all of its income from earnings was $6,100 in 1987, not $20,000, $6,100.

What do we do about this? Often there is the assumption that poverty policies are necessarily urban policies. This doesn't need to be the case. In fact, policies can be designed that not only help the rural poor, but that disproportionately help the rural poor.

There's a very simple principle here. Policies that help the working poor and policies that help two parent families can have a pronounced impact on rural poverty and disproportionately help the rural poor, since the rural poor are predominantly comprised of working families and two parent families.

If we set a national goal that if a parent works full time, a parent and his or her children should not live in poverty, then we would make a major dent in rural poverty. To get there from here, to attain that goal, we need a series of reforms designed to make work pay adequately, so that working families and their children don't need to be poor.

And one of the most important steps we could take in that direction would be to enlarge and expand the earned income tax credit for working poor families with children and adjust it by the number of children in the family.

The earned income credit is available only to families that work, that are low income, and in which parents live with and support their children. It is strongly pro-work and pro-family. It is a well designed element of tax and poverty policy that enjoys strong support across the political spectrum. And the idea of expanding it has in the last couple of years gained a growing and impressive number of both liberal and conservative adherents.

Recently, two excellent proposals to enlarge the credit have been introduced, one by Representative Downey, Chairman Miller, Congressman Lewis, Congressman Henry, and other members. The other by Congressman Petri and a number of cosponsors. Both of those bills would provide substantial help to rural working poor families and would in fact disproportionately aid the rural poor, because so large a proportion of rural poor families are families in which someone works.

In addition to enlarging the earned income credit, there's another proposal in the bill introduced by Congressman Downey and the Chairman that would make the dependent care tax credit refundable. That also would be particularly important for rural working poor families.

As you know, Mr. Chairman, the current dependent care credit provides a tax subsidy to defray a portion of the child care costs to all working families that incur those costs save one group, the working poor. If your income is too low to owe income taxes, you don't receive any benefit from the credit. If your income is higher and you're more affluent, you get a federal child care subsidy through the credit. The credit provides the least help, or more accurately no help, to those who need it the most.

Given that rural working families are more likely to be poor than urban working families, that the poor families in rural areas

are more likely to have two workers than poor families in urban areas, making the dependent care refundable would also be an important rural policy.

Now in closing I would like to note that these improvements in the earned income credit and the dependent care credit would not by themselves reach this goal of assuring that a working parent escapes poverty.

Unfortunately, under your bill, if a family with one child had full time earnings at the current minimum wage, even with the benefits in your bill, the earned income credit, it would fall nearly $2,500 below the poverty line. A two parent family of four with full time minimum wage earnings would fall $4,800 below the poverty line. Those figures are true for the Petri proposal as well. They're very similar for both bills.

That's not to suggest that the earned income credit should be expanded twice as much as in your bill. For reasons I won't take the time to go into now, that would result most likely in very high marginal tax rates. It would be prohibitively expensive. It would be neither practical nor affordable.

But what it means is that if we want to attain the goal saying that if you work you won't be poor, if you work full time your children won't live in poverty, a critical goal for rural areas, even more critical than for urban, then you really need a combination of two policies, an expansion of these tax credits and a restoration of the value of the minimum wage.

In the 1960s and 1970s, throughout those two decades, full time work at the minimum wage lifted a family of three above the poverty line. Now it leaves such a family $2,900.00 below the poverty line. If we can do both, they really aren't competing strategies, only a combination of both can get us to that key goal where full time work will mean that you won't be poor.

Mr. Chairman, my testimony does not address, clearly, all the issues facing the rural poor. I think other witnesses will. Obviously, there are also critical issues involving health care and access to health care for rural working poor people who aren't insured, access to affordable high quality child care. The testimony isn't meant to be comprehensive, but without an element to make work pay more through tax credits and wages—none of the other services talked about, the community services block grant, the community development block grant, those aren't income strategies. Those can help build a little housing. Those can help you in an emergency.

But the key here is that people work and they're trying to make it. They're doing what we in Washington say we want them to do. They're working and they're not on public assistance. And they are thousands of dollars below the poverty line. And if we don't have an income strategy, we're not going to make a dent.

Chairman MILLER. Thank you.

[Prepared statement of Robert Greenstein follows:]

PREPARED STATEMENT OF ROBERT GREENSTEIN DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

I appreciate the opportunity to appear before the Select Committee today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities here in Washington, D.C. The Center is a non-profit organization that conducts research and analysis on a range of public policy issues, with an emphasis on issues affecting low income families and individuals. The Center's work is funded primarily by foundations.

For the past year, the Center has been conducting research on issues relating to rural poverty, under a grant from the Ford Foundation. I would like to share with you some of our findings, the first set of which we are issuing today. This work has been conducted principally by Kathryn Porter, the Center's research director, and Isaac Shapiro, a senior researcher at the Center who specializes in examining issues relating to the working poor.

The testimony is divided into three sections: an overview of rural poverty and rural poverty trends; an examination of the extent of poverty in rural America among working families; and policy recommendations to address rural poverty among working families.

I. Rural Poverty: More Pervasive than is Commonly Recognized

To many Americans, poverty is regarded primarily as an urban issue. The image of the inner-city welfare mother has come to represent the poor in the minds of a substantial portion of the public and among many policymakers as well. There is little question that the concentrated poverty of America's large cities is serious and demands

attention. However, we often tend to overlook the serious poverty problems that also affect many rural areas.

In fact, poverty rates are *higher* in rural than in urban areas. In 1987 (the latest year for which Census data on poverty are available), some 16.9 percent of all Americans living in nonmetropolitan areas -- or more than one in every six -- fell below the poverty line. (The poverty line was $9,056 for a family of three in 1987). By contrast, some 12.5 percent of the residents of metropolitan areas -- or one in eight -- were poor.

That poverty rates are higher in nonmetropolitan than in metropolitan areas should not be that surprising, since metropolitan areas include both the central cities and the surrounding suburbs. Poverty rates are far lower in the suburbs than within the city boundaries.

What is striking, however, is that poverty rates are nearly as high in rural America as in the nation's central cities.

- As noted, 16.9 percent of rural residents (i.e., residents of nonmetropolitan areas[1]) lived in poverty in 1987.
- This is almost as high as the poverty rate in our nation's central cities, which was 18.6 percent that year. ("Central cities" is the term used by with the Census Bureau to denote the area within the city boundaries, exclusive of the suburbs.)

Moreover, poverty has risen as sharply in rural areas over the past decade as in the cities. From 1978 to 1987, the rural poverty rate rose from 13.5 percent to 16.9 percent. During the same period, it climbed in the central cities from 15.4 percent to 18.6 percent. (Comparisons with 1978 are instructive, because national economic

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1. Throughout this testimony, the terms "rural"and "nonmetropolitan"are used interchangeably. Thus, the rural poverty rates cited here are the "nonmetropolitan" poverty rates of the U.S. Census Bureau.

conditions in 1978 were very similar to those in 1987. The national unemployment rate was nearly identical in both years.)

Poverty rates in both rural and urban America currently stand at unusually high levels for this stage of an economic recovery. In fact, the rural poverty rate for 1987 -- the fifth year of an economic recovery -- was as high as the rate for 1975, the deepest recession year of the 1970s.

Poverty Among Particular Groups

Among most racial/ethnic, age, and demographic groups, poverty rates now are as high or higher in rural America as in the central cities. In particular, despite the popular conception of concentrated black poverty in the nation's cities, blacks living in rural areas are *more likely* to be poor than blacks living in the central cities.

- One-third (33.3 percent) of all blacks living in central cities were poor in 1987, a high poverty rate. But more than two-fifths -- 44.1 percent -- of all blacks in rural areas were poor.
- Among whites and among Hispanics, poverty rates were as high in rural areas as in the central cities (see below).

Poverty Rates for Race and Ethnic Origin

	Nonmetro	Total Metro	Central Cities
White	13.7%	9.6%	13.8%
Black	44.1%	30.7%	33.3%
Hispanic	35.6%	27.6%	31.7%

- Among female-headed families, the poverty rate in rural America (44.8 percent) is virtually identical to the poverty rate in the central cities (44.4 percent).
- The overall poverty rate for two-parent families is also similar in rural areas and in the central cities. Among black two-parent families, however,

poverty rates in rural areas far exceed the rates for the cities. Some 12.3 percent of all black two-parent families in the central cities fall below the poverty line. But 27 percent of black two-parent families in rural areas are poor.

- The poverty rate for children is higher in the central cities, but the rate in rural areas is not far behind. Some 29.6 percent of children in the central cities are poor, while 23.1 percent of rural children are poor. Among black children, poverty rates are higher in rural areas than in the cities. Some 46.2 percent of black children in the central cities are poor. But some 57 percent of black children in rural areas -- or more than half -- are poor.

The Composition of the Rural Poor

While poverty rates in rural America are generally similar to those for the nation's cities, the *composition* of the poverty population differs significantly in rural and urban areas. Simply stated, the rural poor are more likely than the urban poor to live in two parent families and to work. They are also more likely to be white, because the rural population at all income levels has a lower proportion of minorities than does the urban population. In 1987, nearly three-fourths (71.3 percent) of the rural poor were white, compared to about half (54.2 percent) of the central city poor.

One of the striking characteristics of rural poverty is the extent to which poor rural families are likely to be families in which both parents are present. Of all the rural poor who live in families, more than three out of five (61.1 percent) live in two-parent families. In the central cities, by contrast, some 41.7 percent of the poor who live in families live in families in which both parents are present.

Similarly, poor residents of rural areas are very likely to work. Nearly two of every three poor families living in rural areas contained at least one worker in 1987. Nearly one quarter had at least two workers. While the proportion of the poor who work is also substantial in urban areas, it is significantly less than in the rural areas. In 1987, a

little more than half of all poor families in metropolitan areas contained at least one worker, while a little under one-sixth had two or more workers.

The rural poor are also likely to live in the South. While the 17 states designated by the Census Bureau as the South contain slightly more than one-third (34.2 percent) of the total U.S. population and more than two-fifths (43.4 percent) of all rural residents, they contain over half (53.6 percent) of all the rural poor.

II. The Rural Working Poor

As noted, one of the most striking characteristics of rural poverty is the extent to which the rural poor work. A large majority of rural poor families are families in which someone works, but the family remains poor. Moreover, many of those rural families that do not have any workers are families in which the only adults are elderly, disabled, or ill.

- In 1987, some 70.5 percent -- or seven out of every ten -- rural poor family heads who were not ill, disabled, or retired were people who worked during the year.
- An even higher proportion of the family heads in poor rural two-parent families who were not ill, disabled, or retired -- 85.6 percent, or more than five of every six -- worked during the year.
- More than half of those who head poor single-parent families in rural areas and who were not ill, disabled, or retired worked during the year. (Many of those who did not work were single mothers of young children).

Impressive as these data are, they *understate* the extent of work among rural poor families because they count only work performed by the family head. In many rural poor families, other family members work as well.

Not only is the proportion of the poor that work higher in rural than in urban settings, but the proportion of workers who are poor is also higher in rural areas. Census data show that poverty rates in rural areas substantially exceed the rates in

urban areas for all types of working families -- for white and black working families, for two-parent and single parent working families, for families with a full-time worker and for families with a part-time worker. Overall, the poverty rate for rural working families is about *double* the rate for urban working families. In other words, a family in which the household head works is about twice as likely to be poor in rural areas as in metropolitan areas.

This means that in rural America -- to an even greater degree than in urban America -- work provides no assurance that a family will not be poor. The poverty rates are especially disturbing for rural black families in which the household head works and for rural single-parent families where the mother works.

- In 1987, some 28 percent of all rural black families in which the family head worked -- more than one in every four -- fell below the poverty line.
- More than 14 percent of all rural black families in which the family head worked full-time year-round -- or one in every seven -- were poor.
- In addition, 31.5 percent of all single-parent families in which the family head worked -- or nearly one in three -- were poor in 1987.

It should be noted, however, that while poverty rates in rural areas are substantially higher among black working families than among their white counterparts -- and among single-parent working families than among two-parent working families -- most of the rural working poor are white and live in two-parent families. Nearly two thirds of rural working poor families are two-parent families. Nearly four-fifths are white.

The Role of Low Wages

When a family head works full-time year-round but the family remains poor, the cause of its poverty is clear -- low wages. Wage and earnings levels are considerably lower in rural than in urban areas, which is the principal reason that poverty rates

among families with a full-time year-round worker are more than twice as high in rural America as in the metropolitan U.S.

Researchers at the U.S. Department of Agriculture have found that the average earnings of rural workers were $1,150 lower in 1986 than in 1979, after adjusting for inflation. Real earnings fell faster among rural than among urban workers during the recessionary period from 1979 to 1982, and then rose more slowly during the ensuing recovery period. By 1986, the average real earnings of urban workers had recovered all the ground lost since 1979, while the earnings of rural workers were still well below 1979 levels. By 1986, the average real earnings of rural workers were 25 percent lower than the average real earnings of their urban counterparts.

Rural families with a low wage worker thus have a substantial likelihood of being poor. Furthermore, those poor rural families that rely solely on their own earnings are actually worse off than many other poor rural families. In 1987, the average income of poor rural families that received all their income from work was just $6,094. This was lower than the average income of poor rural families that received part of their income from working and part from other sources, such as government assistance.

Mr. Chairman, our work on issues relating to the rural working poor is continuing. We expect to have a report ready on these issues later in the spring.

III. Policy Options to Aid the Rural Working Poor

It is sometimes thought that government policies and programs designed to address the problems of the poor have an urban orientation and disproportionately serve the urban poor. While this is sometimes true, it need not generally be the case. On the contrary, policies can be fashioned that would make a major dent in rural poverty, and in some cases, disproportionately serve the rural poor.

The principle is simple: policies that help the working poor and poor two-parent families can have a pronounced impact in rural areas and disproportionately help the rural poor, since the rural poor are predominantly comprised of working families and two-parent families.

In this vein, there would be a profound impact on rural property if a fundamental goal were established and attained -- namely, that *if a parent works full-time year-round, the parent and his or her children should not live in poverty.*

Attaining the Goal

To attain this goal, we need a series of reforms designed to "make work pay," so that working families and their children need not be poor. One of the most important steps we can take to move in this direction would be to enlarge the earned income tax credit for working poor families with children and to adjust it by the number of children in a family.

Today, working poor families with several children face an unfortunate paradox. Family needs increase as family size grows. Recognizing this fact, the poverty line rises with family size. Welfare benefits also increase with family size. But wages do not.

As a result, large working families with several children are more likely to be poor than are smaller working families. In addition, those large families that are poor are likely to fall further below the poverty line than smaller families that are poor. Furthermore, as family size increases, low paid work becomes less competitive with public assistance.

What is needed is a wage supplement for working poor families that is geared to family size. The earned income tax credit is well-suited for this purpose. It can be restructured to reflect the number of children in a family.

The earned income credit is available only to working poor families in which parents live with and support children. Adults who do not work, as well as fathers who have left their families, do not qualify. The credit is strongly "pro-work"and "pro-family."

In addition to being a well-designed element of tax and poverty policy, the earned income credit enjoys support from across the political spectrum. One of the first calls to establish an earned income credit came in 1972 from the then-Governor of California, Ronald Reagan. The credit was championed in Congress in the mid-1970s by Russell Long, then chairman of the Senate Finance Committee, and enacted in 1975. Expansion of the credit was proposed by the Reagan Administration as part of its tax reform package in 1985, enlarged upon by the Democratic House, further enlarged upon by the Republican Senate, and then signed into law by President Reagan as part of the Tax Reform Act of 1986.

In the past two years, the idea of expanding the earned income credit through family size adjustments has gained a growing and impressive number of both conservative and liberal adherents. Its virtues have been extolled by President Reagan's task force on Families (staffed by then-White House aide Gary Bauer), a number of Members of Congress of both parties, leading poverty analysts such as Robert Reischauer (now director of the Congressional Budget Office) and David Ellwood, and organizations as disparate as the Children's Defense Fund and the Heritage Foundation.

Fortunately, two excellent proposals to enlarge the earned income credit and adjust it by family size have recently been introduced. One is a proposal introduced in the House by Rep. Thomas Downey, Chairman Miller, and Reps. John Lewis, Paul Henry, and other members. (Senator Gore has introduced the measure in the Senate.) The other is a proposal introduced by Rep. Thomas Petri and a number of co-sponsors.

Both bills would provide substantial help to rural working poor families -- and would, in fact, disproportionately aid the rural poor, because so large a proportion of rural poor families are families in which someone works.

I would note that there are some differences between these two bills. The Petri bill would repeal the dependent care tax credit and redirect the money into the earned income credit. The bill introduced by Rep. Downey and the Chairman would make the dependent care credit into a "refundable" credit, so that low income working families with child care costs could benefit from it, as middle and upper income families now do.

While one can debate the relative merits of these two approaches, the debate is largely academic for the reason that, politically, there is virtually no chance that the dependent credit will be repealed. Even a relatively modest effort to phase it out at higher income levels, in order to help finance the welfare reform bill, failed last year. The dependent credit is now used by many middle income families and has a strong base of support. It is here to stay.

That being the case, the proposal in the bill proposed by Rep. Downey and the Chairman -- to make the credit "refundable"-- is particularly important for working poor families, including the rural working poor. The current dependent care credit provides a tax subsidy to defray a portion of the child care costs of all those working families that incur such costs except for one group -- families with low incomes. Because the credit is not "refundable," those working families with incomes too low to owe income tax receive no benefit from the credit. By contrast, families at higher income levels do receive the credit, and through it a federal child care subsidy. Due to this situation, the bulk of federal child care support is now provided to middle and upper income families, not to poor ones. The credit currently provides the least help (or more accurately stated, no help) to those who need it most.

Given that rural working families are more likely to be poor than their urban counterparts, and also that poor families residing in rural areas are more likely to have two workers than poor families in urban areas, making the dependent care tax credit refundable would provide an important boost for such families.

As you know, the Bush Administration has also submitted a proposal to Congress to aid low income working families with children. Its proposal would institute a new refundable tax credit for working families with children under age four and would make the dependent care tax credit refundable, although it would limit families to *either* the new credit or the dependent care credit. While it represents a significant step in the right direction, the Bush proposal is substantially less adequate -- and would do far less to address rural poverty -- than either the Downey or the Petri proposals. Since the Administration's proposed children's tax credit is limited to working families with a child under age four, working families whose children are four or over would not be helped by it. Both the Downey and the Petri proposals, by contrast, expand the earned income credit for working families with older children as well. In addition, the value of the Bush proposal is diminished for some families with children under four by making them ineligible for the new credit if they claim the dependent care credit. Finally, the proposal appears to be marred by serious design flaws that could create new work disincentives. By requiring that the new tax credit for families with young children phase down at a 20 percent rate for each child in the family, the proposal creates confiscatory marginal tax rates of more than 80 percent for some large families.

Raising the Minimum Wage and Other Steps to Aid the Rural Working Poor

These improvements in the earned income credit and the dependent care credit would not, by themselves, achieve the goal of ensuring that a family with a full-time

working parent escapes from poverty.

The bill introduced by Rep. Downey and Chairman Miller, for example, would provide a maximum earned income credit of $1,430 in 1990 to a family with one child (an increase of close to $500 over current law). Yet if the family had full-time earnings at the current minimum wage, it would still fall nearly $2,500 below the poverty line in 1990.

Similarly, the maximum credit under the bill for a two-child (or three-child) family would be $2,043, which would leave a family or four with full-time minimum wage earnings some $4,800 below the poverty line. The figures are similar for the Petri proposal.

This is not to suggest that the earned income credit should be expanded vastly beyond the levels in these bills. Rather, the point is that the earned income tax credit alone cannot assure that full-time working poor families are raised to the poverty line. To lift a family of three with full-time minimum wage earnings to the poverty line would require an earned income credit of more than 40 percent. To lift a family of four to the poverty line would require a credit of more than 70 percent. Credits of this magnitude would be prohibitively expensive and would almost inevitably result in extremely high marginal tax rates being imposed on many families (those families whose incomes would place them in the credit's "phase down" range). In short, credits of this size cannot practically be designed or afforded.

As a result, lifting a family with full-time minimum wage earnings to the poverty line requires a combination of two policies: an expansion of the earned income credit along with a restoration of the value of the minimum wage.

Throughout most of the 1960s and 1970s, the minimum wage was set at a level that lifted a family of three with a full-time year-round worker slightly above the poverty line.

Now it leaves such a family $2,900 below the poverty line. If the minimum wage were returned most or all of the way to its value of the 1960s and 1970s, it could raise families of three closer to the poverty line. Then an expanded earned income credit with a family size adjustment could get the three-person families the rest of the way there and raise larger families most or all of the way to the poverty line, as well.

As a result, the conclusion we, at the Center, have drawn is that only a combination of an expansion of the earned income credit and an increase in the minimum wage can get us to the goal -- which would be so important in rural areas -- of assuring that if a parent works full-time year-round, the parent and his or her children will not be impoverished.

In closing, I would like to note that the policy changes discussed here constitute a critical ingredient -- but certainly not the whole -- of the actions needed to address the problems of those rural families that work but remain poor. Tax credit and minimum wage changes alone will not address the critical lack of health care coverage for many rural working poor families or the difficulties some of these families may face in finding affordable child care of adequate quality. These issues are beyond the scope of this testimony. Nevertheless, they are important and also merit Congressional attention.

[Report entitled "Poverty in Rural America, A National Overview, Center on Budget and Policy Priorities, Washington, DC, April 1989," is retained in committee files.]

Chairman MILLER. Doctor Sundwall?

STATEMENT OF DAVID N. SUNDWALL, M.D., VICE PRESIDENT AND MEDICAL DIRECTOR, AMERICAN HEALTHCARE SYSTEMS INSTITUTE, WASHINGTON, DC

Dr. SUNDWALL. Thank you very much, Mr. Chairman. I'm delighted to be here today and to have been invited to testify at this important hearing.

This is a first for me. For the last over two years, I've testified on behalf of the Public Health Service and the Health Resources and Services Administration. Now as a private citizen, I didn't have to have my testimony cleared. This is great fun to be able to prepare something and speak my mind. However, I realize the buck stops here. I can't blame O.M.B. or the Administration for what I have prepared.

I have far too much printed testimony than the time would allow, so let me try and briefly summarize. My vantage point is that I now represent an organization the American Healthcare Systems, which is the largest coalition of nonprofit hospitals in the country, with over 1,100 facilities in 43 states, many of them in rural areas. I have a public health background and that of a practicing family physician, as well as lots of relatives in small towns in remote rural Utah.

For the sake of simplicity to have the Committee consider the basic elements of health care, which I'm going to focus on today, and which I think are particularly important for the "working poor" on whom you hope to target your concerns. Health care consists of really just three things: and that is health promotion and disease prevention activities; adequate financing to provide access to care both through public and private insurance; a comprehensive delivery system, which should include an emphasis on primary care or ambulatory care, hospital care when appropriate, and long term care, nursing home care, or home care when appropriate. Clearly, this has to be delivered by an adequate mix of qualified health professionals.

Unfortunately, no matter where you live in this country, we don't have all of those, whether you're in a city or a rural area. However, we have done a great deal to try to address all of them over time. Out of deference to your colleagues who preceded you in both the House and the Senate in appropriation and authorizing committees, they've just done enormous amounts to try and take care of the health care in rural America.

My testimony, although not complete has tried to provide for you kind of a thumbnail sketch of what exists today and it isn't peanuts, it's lots. I will just call to your attention—in my testimony there's an error. When I talk about the Preventive Health Services block grant, the funding level isn't $900 million, it's only $90 million (still real money where I'm from). Nonetheless, the Preventive Health Services is funded at $90 million, the Maternal and Child Health care block grant at approximately $560 million, the Alco-

hol, Drug Abuse and Mental Health block grant at $900 million, and add to that those block grants the efforts of C.D.C. through their immunization program, through sexually transmitted disease programs, A.I.D.S. surveillance, plus more targeted programs for diabetes prevention, injury control, tuberculosis control, and Family Planning, Women and Infants and Children programs. In short, we have an enormous array of federally funded efforts given to states that are supposed to provide prevention and help promotion activities for their citizens.

Now, I must admit that how accessible these services are depends altogether on efforts of states to make sure the funds are equitably distributed and that their existence is made clearly apparent to those in need.

Regarding financing of health care, I'm not going to dwell on that, except to say that there's enormous interest now in filling the gaps in what is missing in health insurance coverage for our citizens. Just last evening, I attended a dinner at the Institute of Medicine where we heard a presentation on the Canadian health care system. The IOM is having a seminar on this topic today, and there is lots of interest in how the Canadians manage to do more with less.

For the House Subcommittee on Health and the Environment, an excellent report was just prepared by Congressional Research Service. I thought it was the best overview I'd read about options for insuring the uninsured. In my printed testimony, I've provided some graphs of availability and coverage options which have been presented for your consideration. I would just suggest that the Committee consider, and this is based on my personal opinion, that of the 37 million Americans who have no health insurance, this does not mean that 37 million Americans go entirely without health care.

In fact, a report on the homeless in rural America was funded through my agency when I administered the Health Resources and Services Administration (HRSA) and it determined that acute or emergency medical care was rarely denied for those people. Apparently there still remains an ability to "cost shift" and care for many of them. But nonetheless, there are among those particularly vulnerable people.

I've provided some graphs that dissect the uninsured population a bit and look at it more carefully. I would suggest the last one might be the most appropriate focus for this Committee, given this era of constrained resources, and that is the uninsured vulnerable population, those whom are most at risk. You'll notice at the top of the list, in fact, are people living in medically underserved areas. Most of them are in rural areas, are young mothers and children below the poverty line, are the homeless, and people with specific conditions such as Hansen's disease and the chronically impaired.

Thus, while we find that there are 37 million who at some time in the year are without health insurance, they are not all poor. Some are far more medically needy than others. I've chosen to call them the medically vulnerable uninsured.

There is, in my opinion, an unfortunate preoccupation with focusing on the financing of care. I don't mean for a minute to say that that isn't a barrier to people receiving health care, and I think

our collective conscience as a country is getting embarrassed about the fact that so many go without health insurance. But at the same time, there's been too little attention paid to how you deliver care in our health care system.

Our national government for a long time has been ambivalent about being in the business of delivering care and that's appropriate, given our large private sector delivery system. But since World War II, we've incrementally got more and more involved, initially through supporting hospital construction with Hill-Burton loans, and later some loan guarantees through the H.U.D. 242 and 232 Programs for both hospitals and nursing homes. But actually, after Medicare and Medicaid were enacted, we did get into the business of actually providing care for the most needy of our citizens. We have, in fact, a mini-national health program, which is relatively invisible and people don't talk about it much, but we have it targeted for specific populations.

The most visible, of course, is the Indian Health Service that cares for over a million native Americans and Alaska natives through 50 hospitals and some 482 clinics and health stations. Without digressing too much, I'll just say that their successes are extraordinary. They've been criticized for being expensive and duplicating existing services, but if we in the private practice of medicine could do as well as they have for a population as needy, poorly educated and in poverty than they have, we would all be proud of the accomplishments.

We do have community health centers, migrant health centers, black lung clinics, and a whole array of things that have been targeted for needy populations. They work. They work in cooperation with the private sector physicians. In addition to service delivery, we've tried to train a whole bunch of health professionals, doctors, nurses, allied health, and over the years we've more than doubled the numbers of those. But I'm sure you're aware that there's been lots of effort to try and get them to practice in rural areas. Although many have failed, it seems that two have been successful programs. One is A.H.E.C.'s, [Area Health Education Center] of which you have an excellent one in California, which try to get people to train "off campus" and out in the sites where care is delivered. The other successful program is the National Health Service Corps, which places health professionals in underserved areas.

So, in summary, we've done an awful lot, but it's not sufficient or we wouldn't have difficulty with access to care in rural areas.

In recognition of some of the deficiencies, Congress created the Office of Rural Health Policy a couple of years ago. In my printed testimony I've listed for you their charge, and they have quite an array of responsibilities to try to coordinate rural health issues and advise the Secretary of H.H.S. on how they might be improved. Now I'm going to list for you some problems which I think need addressing based on my experience in the Public Health Service and as a former health staffer in the Senate.

I think number one (and it's interesting that I heard it talked about this morning by Mr. Weldon), is how little coordination there is about what exists. I believe without doubt that people go wanting for lack of knowing what's there. I've given you some documentation of this poor coordination through a series of important re-

ports recently completed, including the Rural Health and the Homeless Report. The National Commission to Prevent Infant Mortality: Death Before Life is also a very dramatic report that said the same thing. Perhaps even more important from my perspective was the Institute of Medicine's report on the future of public health that found our public health system in "disarray" and that the health of the public is compromised because of it. A lot of that is simply a lack of coordination among local, state and federal activities, of which there are dozens and dozens, some of which duplicate services and should be more complementary.

The second problem, I believe, is the variation in Medicaid eligibility. Again, without going into detail here, I'll just tell you that I wholeheartedly support the report of the health agenda for the nation on attending to the poor when they call for nationalized standards for Medicaid. I think eligibility should be the same. I don't think poverty is any more humiliating or degrading or painful in Utah or Michigan or Alabama and I think that access to Medicaid should be uniform. That's something that I think there's growing support for.

There isn't sufficient funding through Medicaid for hospital services or obstetrical services. Perhaps the most frequent excuse that doctors give for not caring for pregnant poor women is that they fear they will be sued. However, there is no evidence that Medicaid patients are more litigious or likely to sue than well-to-do people. However, Medicaid funding for O.B. care is about half or less than they get otherwise through private insurance, which to me is a more compelling argument for why there's that barrier to O.B. care.

Also, the ratcheting down of Medicaid payment to hospitals, has, without doubt, contributed to the precarious economic status of our rural hospitals.

I was going to mention the differential between urban and rural payment for Medicare for hospitals. Congress has attended to that and I won't suggest further changes at the moment, but that we'd better monitor that carefully and make sure there is an equitable distribution of Medicare funds.

Two more things: I'll just say the medical liability malpractice insurance is serious. I helped co-author a report for Secretary Bowen, the Task Force on Medical Liability and Malpractice, which was published in August of '87. In all humility, it's an excellent report and defines the problem at present. We made about 30 recommendations that should be considered, all of which, if implemented, would go a long way to solve the problem. But Congress may need to do more.

The last thing I'll mention is inadequate funding for the National Health Service Corps. This program used to provide scholarships for students, but that proved to be very expensive and we had about 10 percent of the recipients change their mind and didn't want to fulfill their obligation. That was unfair and costly to the government. Congress fixed it by authorizing loan repayment for interested students if they're willing to commit for two years of service in an under served area. So, the President signed it, we have it on the books, yet we have woefully inadequate funding for

it, given the demand for health providers. Not just doctors, but nurses and allied help in rural areas.

So, in short, I'd like to suggest that our national leaders have been responsible over the years in addressing rural health issues. Together we've done an enormous amount. Much could be done and I would hope that you might consider some of these suggestions in your report or your deliberations.

Thank you.

Chairman MILLER. Thank you very much.

[Prepared statement of David Sundwall, M.D., follows:]

PREPARED STATEMENT OF DAVID N. SUNDWALL, M.D., VICE PRESIDENT AND MEDICAL DIRECTOR AMHS INSTITUTE, WASHINGTON, DC

Mr. Chairman, I want to thank you and Mr. Bliley for inviting me here today to contribute to this important hearing. I want to commend the Committee for addressing problems which many of our fellow citizens in rural America face on a daily basis. My interest in this is more than academic - I have deep roots in remote, rural counties of Utah on both sides of my family and have relatives living in the towns of Blanding, Monticello, Fairview and Mount Pleasant - names which mean nothing to most of you, but reflect the same range of advantages and disadvantages which are afforded citizens in small towns across the nation.

Today I would like to direct my comments to a single, but nonetheless critically important component of life in rural America, and that is health care. My perspective has been developed over the years from different vantage points - as a practicing family physician, a teacher of medical students and family practice residents, a professional staff member in the U.S. Senate Labor and Human Resources Committee, and as the Administrator of the Health Resources and Services Administration in the Public Health Service. Throughout my medical career I have been committed to improving primary care health services, by encouraging students to pursue careers in the primary care disciplines of family practice, general internal medicine and pediatrics, and by developing and conducting a broad range of educational experiences for students and residents in rural practice settings, called "preceptorships." During my years as an educator, health policy advisor, and public health administrator, I had ample opportunity to see first hand the difficulties and deficiencies in rural health care delivery, but also to experience the benefits of a broad range of local, state and federal initiatives to address these problems.

Time will not allow me to trace the myriad of past and present social support and health service programs directed to help individuals and families in rural America. But I would like to provide for the Committee a "snapshot" of what exists today in the way of federally supported health programs. I understand from committee staff that the focus of today's hearing is on the working poor, which constitutes the majority of those in need in rural America, as opposed to the preponderance of unemployed poor people in urban areas. Nonetheless, as I describe what currently exists in the way of publicly funded health programs for medically needy individuals, it will be apparent that many of these services are available to the population on which you intend to focus.

Health care can be described in different ways, but for simplicity sake, I would like you to consider the following components as essential for adequate care:

1) Health promotion and preventive medicine activities, e.g. childhood immunization programs, public education, disease surveillance, etc.

2) Financing - through private insurance or public payment (Medicaid/Medicare)

3) A comprehensive delivery system consisting of:

a) primary or ambulatory care,

b) acute hospital care,

c) long term care, (appropriate home care and nursing home care),

and provided by an adequate mix of qualified health professionals.

In our country, regardless of where a person lives, these components are not uniformly available. We have a remarkably heterogeneous system of health care, which has kindly been called "pluralistic," and on the other hand, perhaps unfairly, been referred to as a "non system." Nonetheless, there exists in virtually every community, except the most remote and sparsely populated, some mix of public and/or private health care services.

I would now like to describe for the Committee what health care services currently are available to rural citizens, by providing an overview of ongoing federally funded programs. I would then like to identify what I believe are significant problems, and finally suggest a few solutions for the Committee to consider.

CURRENT PROGRAMS/ACTIVITIES

Health Promotion/Disease Prevention

Preventive Health Services Block Grant (~$90 million)*
Maternal and Child Health Block Grant (~$560 million)
Alcohol Drug Abuse and Mental Health
Block Grant (~$900 million)

In 1981 Congress folded over 50 categorical health-related programs into three major block grants, returning to states the authority to implement a broad range of activities to address the same problems which the federal programs had been directed to solve. Furthermore, they were given the flexibility to

*The dollar amounts in parentheses are approximations of the amounts appropriated for these programs in 1989. They are provided to illustrate aggregate funding, and have been "rounded up."

direct their efforts to deal with cultural or ethnic problems which might be unique to their region of the country. Critics of this "new federalism" have suggested that because the total dollar amounts available to states were decreased by approximately 15 percent this diminished their ability to provide the services needed. But concurrent decreases in administrative costs and cumbersome reporting requirements for each program allowed for a larger share than before to go for the intended purpose. In fact, a series of GAO analyses begun in 1984 of the implementation of the block grants, indicate that for the most part they have been successful and are much preferred by state public health officials.

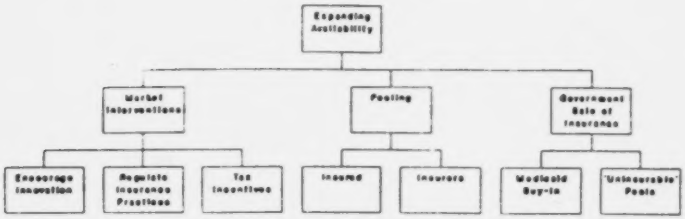
In addition to these block grants, there are several programs conducted by the Centers for Disease Control (CDC) including the Childhood Immunization Program ($127.0 million), Sexually Transmitted Disease Program ($68.0 million), AIDS Surveillance and Control ($130.0 million), and targeted efforts in tuberculosis control, diabetes prevention, and injury control; the Family Planning Program ($145 million); and the Women Infants & Childrens Program which provide nutritional support for needy pregnant women and young families ($1.2 billion). You can see that there is a broad range of federally funded health promotion/disease prevention activities available to rural citizens. Just how accessible they are, in terms of geographic availability and public awareness of their existence, depends on states' efforts to advertise them and distribute the resources.

Financing Health Care

We are all well aware that a growing number of our citizens have no health insurance. This is ironic given the dramatic increase in both public and private expenditures for health care, the total amount in terms of both dollars and as a percent of our gross national product exceeding that of any other nation. This paradox of increasing expenditures coupled with an increase in the number of those without health insurance, has led to widespread public dissatisfaction with the U.S. health care system. This was documented in a recent Lou Harris poll which found 89 percent of Americans reporting dissatisfaction and favoring a "fundamental change or complete rebuilding" of our health care system. There are now several proposals from various sources to fill these "gaps" in insurance coverage. Many are directed toward the "working poor" and would improve the affordability of health care by either mandating small employers provide health insurance, or by expanding publicly funded insurance mechanisms. The following charts illustrate the various options available to improve accessibility and coverage, and are in the recent CRS Report, Insuring the Uninsured: Options and Analysis (January, 1987).

Chart 1.2

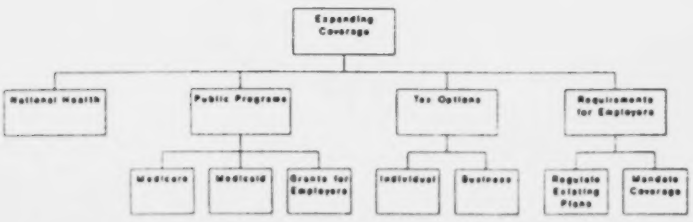
Availability Options



Chapter 7

Chart 1.1

Coverage Options



Chapter 3 Chapter 4 Chapter 5 Chapter 6

While I support prudent moves to expand Medicaid for the medically indigent, I would like to remind the Committee that in spite of broad agreement that approximately 37 million Americans have no health insurance, this does not mean that 37 million people go without health care. The following charts provide further understanding of this group:

Family Income of Uninsured
Characteristics of Medically Indigent
Uninsured Vulnerable Population

Family Income of Uninsured

Actual Income

- 12 million (35%) under $10,000
- 10 million (29%) $10,000 - 19,999
- 8 million (24%) $20,000 - 39,999
- 4 million (12%) $40,000 +

Characteristics of Medically Indigent

- Inadequate or no health insurance
- Persons qualifying for welfare cash assistance
- The chronically unemployed
- Medicaid eligibles unable to pay for noncovered charges

Uninsured Vulnerable Population
(6 - 10 million Americans)

- Persons living in medically underserved areas
- Young mothers and children below the poverty line
- The homeless
- Persons with such conditions as Hansen's disease and AIDS
- Chronically impaired persons

Thus, while there are many individuals and families who have no health insurance, they are not all poor, and some are far more medically needy than others. In this era of limited resources it seems to me that any additional federal dollars should be carefully targeted to the estimated 6-10 million Americans who are most in need of medical care, the uninsured vulnerable population.

Comprehensive Delivery System - Our national government has limited experience and responsibility for the direct provision of health care services. By and large, this has been left up to the private sector. Nonetheless, after World War II certain activities were begun to support and strengthen the private health care delivery system, particularly Hill-Burton Loans and Grants to support hospital construction and renovation, and federally guaranteed loans for hospital and nursing home construction (HUD 242 and 232) programs.

Furthermore, the federal government over time has even gotten into the business of actually providing health care services for our most medically needy citizens, constituting a limited "national health program" for those who qualify. The most visible example of this is the Indian Health Service (IHS) which serves over a million Native Americans and Alaska Natives through 50 hospitals and 482 clinics or health stations.

On the heels of the enactment of Medicare and Medicaid, Congress proceeded to authorize direct provisions of health care for the poor throughout federally funded health care clinics. By law no one can be turned away from these clinics, and if patients have no health insurance they are charged according to a "sliding scale" of their income, and treated free of charge if they qualify. These clinics are staffed, in part, by federal "employees" that is, doctors, nurses, and other health professionals who are fulfilling an obligation to provide public service through the National Health Service Corps, in return for having received federal scholarships to pay for their education. Other particularly vulnerable citizens have also been considered appropriate for care provided through federally funded clinics or facilities including: victims of Hansen's Disease, migrant farm workers, coal miners suffering from black lung disease, and more recently the homeless, and persons with AIDS. It is important to note that over half of our more than 600 community health centers, and almost all of the 122 migrant health centers are serving the rural poor in federally designated "medically underserved areas."

The last component I referred to as essential to a comprehensive delivery system, is an "adequate range of qualified health professionals." Since the 1960's the federal government has invested heavily in the education of doctors, nurses, dentists

and a broad spectrum of allied health professionals. Multiple federal initiatives have been directed to recruit, train, and support family physicians, general internists, pediatricians, obstetricians, and others considered essential for rural health care. One of the most successful has been the Area Health Education and Research Centers (AHEC's) which fund educational experiences for a broad range of health professional students "off campus" at the sites where health care is actually provided for patients in rural settings. This has proven to be a great asset in raising the interest of students in eventually working in those rural areas. The National Health Service Corps (NHSC) has placed over 15,000 health professionals for time-limited service in medically underserved areas since it began in the early 1970's. The NHSC stopped providing scholarships for students in the early 1980's but as the number of those "obligated" for a period of service declined, Congress authorized, and President Reagan signed into law, a revised NHSC program which allows for partial repayment of student loans in return for a period of service in an underserved area.

In summary, it is clear that over the years our national leaders have created and funded a number of activities designed to improve the health of rural Americans - hospital construction and renovation, health insurance for the poor and elderly, publicly funded clinics for the poor and particularly vulnerable citizens, and support for health professionals' education and placement in rural communities.

They have together accomplished a great deal, and without doubt been a tremendous resource to people living in rural America. But without question, health care is inextricably tied to the economy, and in those regions of rural America where the economy has suffered in recent years, health care has been less affordable to many. To address growing concerns about these issues, Congress authorized creation of the Office of Rural Health Policy in December of 1987, and charged it to coordinate activities targeted to rural health within the federal government, and to work with state governments, private foundations, private professional groups and local communities to seek solutions to health care problems. Specifically this office is required to:

- Advise the Secretary on the effects that the Medicare and Medicaid programs have on access to health care by rural populations, especially with regard to the financial viability of small rural hospitals and the recruitment and retention of health professionals. Help the Department develop regulations and policies responsive to the resolution of these issues.

- Administer a grant program which supports the activities of Rural Health Research Centers.
- Provide staff support to the National Advisory Committee on Rural Health.
- Represent the views of rural constituencies within the Federal establishment.
- Ensure that the Department invests adequate resources into research and demonstration projects on rural health issues.
- Develop a national clearinghouse for the collection and dissemination of rural health information.

The preceding, Mr. Chairman, is my attempt to summarize for you federal efforts to improve health care in rural America. It is not complete, and I likely left out significant efforts or programs. But it does illustrate how much has been done, and is still going on.

PROBLEMS

So where are we today? The aforementioned activities while impressive, have not solved all of the problems, and there remain serious problems which create barriers to health care for the poor and near poor in rural America. The following is a list of what I believe are the most critical:

1) Poor Coordination of Existing Resources.

My testimony has attempted to document the multiple federal activities in rural health, and does not include the considerable efforts of city, county and state governments, private foundations and health organizations, and voluntary agencies. Yet in spite of these investments, it seems many go wanting for lack of awareness of what is available. For example, a recent study on The Rural Homeless by Larry Patton (August, 1987) observed "there is a great need to better utilize the existing delivery systems, such as Community, Rural and Migrant Health Centers, to address the medical needs of the rural homeless." The Report of the National Commission to Prevent Infant Mortality "Death Before Life: The Tragedy of Infant Mortality" (August, 1988) cited a broad array of government efforts to date, yet pointed out it is essential for government to better coordinate and publicize what is available. And lastly, the recent study by the Institute of Medicine on The Future of Public Health (August, 1988) stated that our public health system is "in disarray" and that the "health of the public is threatened as a result." The first

reason they offered as an explanation for their dramatic conclusion was that there is poor coordination and insufficient uniformity in our public health system. I would like to emphasize that one of the major barriers to the working poor receiving health care may be their lack of awareness that it may exist and is available to them.

2) Variation in Eligibility for Medicaid.

Our country's major program to attend to the health care needs of the poor is Medicaid, through which the federal government matches state funds, the federal share being determined by the number of poor residing in each state. The Medicaid Source Book: Background Data and Analysis (November, 1988) prepared for Congress by the Congressional Research Service provides a wealth of information on the accomplishments, state by state variation, and extraordinary complexity of this program. Regardless of its successes or shortcomings, one flaw stands out in bold relief, and that is that states determine who is eligible for most services, regardless of where an individual or family's income falls in comparison with federal poverty guidelines. In short, some states (usually the more affluent with large urban populations) are fairly generous with Medicaid benefits, while our poorest states deny services to all but the destitute.

3) Insufficient Funding for Medicaid Services.

Financial barriers to care have been well documented for the 37 million uninsured. But what is less apparent is the inadequate care provided those entitled to Medicaid because of insufficient reimbursement for hospital and physician service. Perhaps the best example of this can be seen in the difficulty pregnant women on Medicaid experience when trying to obtain prenatal and obstetrical services. Although malpractice insurance is often sited as a reason for family physicians and obstetricians dropping out of providing obstetrical care, there is no evidence that Medicaid recipients are more likely to sue, but there is plenty of evidence that Medicaid payments are half or less than the usual fee charged for such care. Also, the ratcheting down of Medicaid payment for hospital services has contributed to the fiscal instability of rural hospitals, and has likely been a factor in the closing of some of them (81 in 1988).

4) Differential in Payment to Rural Hospitals Under the Medicare Prospective Payment System (PPS).

Congress, in creating a new way of paying hospitals for Medicare services, recognized the higher historical cost of doing business in cities, where the cost of paying employees and purchasing hospital services, are higher. In fact, the differences between the cost of running hospitals in urban and

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rural areas has not proven to be as great as was estimated, and the lower reimbursement provided the latter has been disastrous in some communities. As the financial impact of PPS on rural hospitals became apparent, Congress enacted some corrections in the formula used to calculate the urban/rural differential which has served to narrow the difference in payment. But for rural hospitals with heavy Medicare patient loads, or a low average daily census, inadequate Medicare reimbursement puts them at considerable financial risk. While this may not seem directly relevant to the "working poor" in rural America, to the extent hospitals eliminate services (e.g. emergency room care) or close their doors altogether, then the health care for all rural citizens in that area is compromised.

5) Medical Liability and Malpractice.

The cost of liability insurance, and fear of being sued has driven a large number of primary care providers from rural areas, or forced them to quite doing "high risk procedures" such as obstetrical care and surgical procedures. In 1987 I coauthored a report for Secretary Otis R. Bowen on Medical Liability and Malpractice, in which we documented the extent of the problem. In that report we cited a study which HHS funded, documenting that 126 communities, primarily in the central and southeastern states, reported a recent loss of obstetrical care which was attributed to either the excessive cost or unavailability of medical liability insurance.

6) Inadequate Funding for the National Health Service Corps (NHSC).

As indicated above, we have a law "on the books" which authorizes a continuation of the NHSC, but in a more efficient way than the previous scholarship program. The current law provides for partial payment of student indebtedness (up to $20,000/yr) in return for at least a two year commitment of service in a medically underserved area (most of which are rural). These individuals could be used to staff community and migrant health centers or work with private physicians in their practices. But unfortunately, Congress has appropriated only enough funds to place approximately 60 physicians, yet the demand for such services is far greater.

RECOMMENDATIONS

This is the hardest part, because truly progressive suggestions usually require more resources, yet we all know there simply are no more uncommitted dollars at present. Therefore, I would recommend the Committee consider the following:

1) IMPROVE COORDINATION AND PUBLIC AWARENESS OF EXISTING PUBLIC HEALTH AND HEALTH SERVICE ACTIVITIES. Given the broad range of federal, state and local government efforts, the complexity of the various agencies involved, and the multiple source of funding available to similar or complimentary programs, coordination should be required as a condition of receiving funds. More and improved methods of public education should be required to make certain those in need of care can take advantage of what is possibly available to them.

2) EXPANDING INSURANCE COVERAGE FOR THE VULNERABLE MEDICALLY INDIGENT POPULATION. I believe the federal responsibility should be targeted to those most at risk from lack of health care - the chronically ill, the homeless, those in remote or isolated areas which are medically underserved. Congress is currently considering a variety of proposals to fill in the gaps of health care insurance with expanded public funding of Medicaid or mandates on small business employers. I favor the former, to focus on those most in need, and consideration of some form of tax incentives (not mandates) to encourage small employers to offer broader health insurance coverage.

3) NATIONAL MEDICAID ELIGIBILITY STANDARDS. I wholeheartedly support the recommendation of the special report of the Health Policy Agenda for the American People, "Including the Poor" which calls for a restructuring of the Medicaid program so that it will be governed by national standards and goals. Poverty is no more painful nor humiliating in cities than in the country, or in Utah than it is in Alabama. We should, as a nation, establish a limit as to what people should have to endure, and agree to provide the resources, in cooperation with states, necessary for basic health care.

4) ASSURE ADEQUATE REIMBURSEMENT FOR RURAL HOSPITALS UNDER MEDICARE'S PROSPECTIVE PAYMENT SYSTEM (PPS). As indicated, progress has been made in this area. While I recognize that not all of our hospitals will survive, we should explore new and creative ways of providing more efficient care in rural communities. However, no rural community should lose access to hospital services just because of efforts on the part of Congress to achieve budget savings in the Medicare program. Recent refinements in the method to calculate the urban and rural payments should be monitored to see if they achieve their intended purpose, i.e. more equitable distribution of Medicare dollars. Furthermore, the demonstrations projects Congress recently authorized to assist rural hospitals in transition from an acute care facility to one which might better provide care for rural residents should be carefully monitored. Where they seem to be working, their success should be applied to similar communities.

5) MEDICAL LIABILITY AND MALPRACTICE. While this seems to be an episodic problem with a particularly severe impact on certain medical specialties and geographic regions, it has unquestionably been a significant factor in limiting health care in rural America. In the HHS Task Force Report on Medical Liability and Malpractice (August, 1987) I referred to above, we made over thirty recommendations in four categories: 1) Improvements in the health care system, 2) Change in tort law and the legal system, 3) Alternatives to tort litigation; and, 4) Recommended changes in the underwriting of malpractice insurance.

While all of these, if accepted by federal state governments, the medical and legal professionals and the insurance industry would go a long way to address the problem, they may not be enough. Congress should consider further action to limit the cost to providers and patients resulting from the escalating frequency and severity of malpractice awards.

6) SHORTAGES OF HEALTH PROFESSIONALS IN RURAL AREAS. With all due respect, Mr. Chairman, I will have to refrain from making specific recommendations here because of restrictions on my advocacy of programs under the auspice of the Health Resources and Services Administration, which I administered from August 1986 through October 1988.

In summary, I hope the testimony will prove useful as you consider how to improve the lives of the working poor in rural America. I would be pleased to answer any questions at this time.

Chairman MILLER. Ms. Blundall?

STATEMENT OF JOAN BLUNDALL, COORDINATOR, CONSULTATION AND EDUCATION, NORTHWEST IOWA MENTAL HEALTH CENTER, SPENCER, IA

Ms. BLUNDALL. I come to you from the Northwest Iowa Mental Health Center in Spencer, Iowa. We serve nine very rural counties. I come to you with concerns today about how we are interpreting some of the problems connected with rural poverty and mental health.

I think the clients that I deal with read the papers as well as all of you do. We read reports about how the rural crisis is over. However, many of the families that I work with deal with chronic issues of economic stress that have gone on for five or six years. One of the major concerns I think that we face is that our understanding of rural economic crisis is based on aggregate data rather than looking at where areas of rural America have not been responsive to recovery.

In a study done by Iowa State University last fall, we found that 30.8 percent of rural residents, people in communities of under 2,500 had suffered a financial loss. We also found that 8.6 percent of those surveyed had had to drop health insurance. The year before, it had been 7 percent.

We also know, from other studies that have been done on depression, that we have one in five rural residents now who are suffering from a number of depression indicators. This is not the same as saying that they are chronically depressed. But we do know that we have one in five who actually have depression indicators. That is greater than what we would find in inner city ghettoes.

Why should we be concerned about depression and economics? The main reason is because depression breaks our will to seek alternatives. If families are not able to dream, if they don't have the energy to get through the day, they are not going to be able to get back on the road to where they can provide for their own financial support.

A major concern we face has to do with children. Many of the families that we work with have situations where children are actually becoming caretakers of families. We call this the adultification of children. One client that I have worked with, Jared, has found that his savings bonds, he wanted his family to use so that his father could have insulin. The family was not eligible for any of the services that we have created. He and his mother both work at minimum wage jobs, have both partaken of J.T.P.A. programs. Unfortunately, the two places where his parents work do not offer medical coverage.

Many of the families that we work with are working, but they do not have the fringe benefits that are critical for them to be able to survive and one illness wipes out any strides that they have made in the past. I would hope that in the future, economic development would be somehow tied not only to wages but fringe benefits that can keep families stable.

Another concern that we have is, I hear much talk about minimum wage and what it should be. But many of the families that I

work with work at jobs that pay $2.00 an hour because the business owner's gross is so small they are not covered under minimum wage legislation. Families are grateful for having those jobs because it may mean that the electricity will not be shut off that month or there will be food on the table. However, something is happening underneath, their need and their desire to work.

People that I work with have grown up with the belief that if one worked hard, they could survive, and not only survive but perhaps prosper. That assumption about life is being broken in rural America and children are hearing their parents say, "You must work in order to survive," and children are witnessing their parents working sometimes at two and three jobs. But children know that their families are not making it.

We have some dilemmas for the future because once that belief in work is broken, we could see families in Iowa and other states much like families in Appalachia, where we have to make a choice between whether or not it pays to work or redefine what success is.

The concerns that I have have to do with children who have learned to define essentials as nonessentials. "We don't need glasses and Mom doesn't need sleep and we don't need shoes."

One girl that I worked with, Shell, I've worked with her for 3 years, her mother works two jobs, her father has an off-farm job, they have a small dairy herd as well. They don't qualify under poverty guidelines. Shell milks the cows, takes care of her three brothers and sisters and also walks beans. Those of you not from rural areas may not know what that means. But she pays for her own school clothes. Shell, when asked by someone if she ever resented not having a childhood, said, "You don't understand us, do you, out here in rural America? I had a marvelous childhood. It was just shorter than most kids."

I think that's the message that we're hearing from children now. I don't want to treat the Shells and the Jareds in Iowa for ulcers, depression and sleep disturbances, but somehow they're growing up in a period of uncertainty that does not make sense to them.

Chronic, unremitting stress shows itself in many ways and I think that there are a variety of statistics that would support that. In rural America, in Iowa, we find that spouse abuse reports are up from 1,620 incidents in 1984 to 4,543 in 1988.

The suicide rate in 1987 was 14 per 100,000. That's the highest since 1958. In Iowa, we have found suicides jump dramatically when we look at five years. From 1977 to 1981, the suicide rate from that period, to 1982 to 1986, jumped 55 percent greater than the five previous years. We also found that 14 Iowa counties have had above average suicide rates. These are counties that have not had mental health prevention initiatives because there was no way to fund to those initiatives.

Out of wedlock births are also up and I also have reported on the major concern of mental health right now and that has to do with depression.

Very much we need prevention initiatives. I work for a very conservative mental health center. We don't believe in doing anything that the community can do for itself. We depend greatly on volunteer groups and on support groups and on churches and we're very grateful for what they provide. Volunteer initiatives work very

well in times of crisis. They are not effective to meet all of the needs of chronic issues. That's the dilemma we face in defining what it is we're looking at in rural America so that we can have children who can once again dream that if you work, you can survive and you can have some sense of stability.

Thank you.

Chairman MILLER. Thank you very much.

[Prepared statement of Joan Blundall follows:]

Prepared Statement of Joan Blundall, Coordinator, Consultation and Education, Northwest Iowa Mental Health Center, Spencer, IA

There has been continuing debate regarding the status of the rural economic condition as well as the impact of that condition on the mental health status of ruralites. In some sense, our language has limited our perspective on dealing with the dilemmas that are born out of chronic economic changes. Crisis, by definition, involves a short term problem for which an intervention can be designed and implemented, thus returning communities and people to a state of equilibrium. Some say there never was a crisis, but rather a chronic condition of economic and social change similar to that which has been experienced in the lumber industry, the coal mining industry, and the steel industry. Those traveling through rural America can see the effects of the rural condition. Small towns continue to shrink as residents migrate to more populated areas. Rural communities visibly look older in both their structures and their people. School consolidations continue to occur and parishes yoke in order to provide a religious presence.

Though economic data compiled from a variety of sources indicates that the past three years have shown increased stabilization in the agricultural economy, such statistics typically look only at aggregate

data, thus clouding the understanding of continuing economic duress in areas where recovery has failed to develop. Chronic economic stress is related to increases mental health dilemmas.

Recent demographic changes and research initiatives indicate a changing mental health status among ruralites. Such statistics indicate the following:

*Spouse abuse reports have increased from 1,620 incidents reported in 1985 to 3,501 incidents reported in 1986; 4,432 incidents in 1987; and 4,543 in 1988.
*The 1987 suicide rate of 14.0 per 100,000 population was the highest since 1958.
*In Iowa for age group 15 to 19, the average suicide rate in 1982-86 is 55 percent greater than the previous five-year period. (1977-81 was 8.75 per 100,000; 82-86 was 13.52).
*14 Iowa counties from 1984 to 1987 have had above average rates of suicide.
*Out-of-wedlock births have increased from 102.4 per 1,000 live births in 1980 to 150 per 1,000 live births in 1986, and 162.2 per 1,000 live births in 1987.
*A 1986 Nebraska study panel has shown that depression levels are higher in rural areas than in urban areas, a direct reversal of findings of the same study in 1981.

Depression is the most common mental health problem facing rural America. Studies from Minnesota (Garfunkel, Hoberman, Parsons and Walker 1986), Nebraska (Beeson and Johnson 1987), and Iowa (Hoyt 1988) indicate increases in depression indicators. The most recent study done by Danny Hoyt of Iowa State University Department of Sociology has assessed the impact of the economic crisis upon the mental health of Iowa's rural population by using some standard measure of mental health outcomes in the study. Previous studies done in urban areas have typically shown urban populations at greater risk than rural. However, Hoyt found significantly higher levels of depression in Iowa's rural

sample. The results show considerable presence of depressive symptoms n the rural populations. Hoyt concludes that:

> "In this study, the proportion of the respondents with a CES-D score that corresponded with the 16 or higher cutoff was 21.3 percent. Not only is this proportion higher than reported in earlier studies, it is substantially higher than the prior rural studies. It would appear that the chronic economic stress experienced in the interim has had a substantial impact upon rural mental health. While it is not possible to directly test this assertion with the present data, there is some independent evidence to support this interpretation. Beeson and Johnson (1987) reported significant increases in levels of depression between 1981 and 1986 in the rural component of a longitudinal survey conducted in Nebraska....The rural farm and rural non-farm residents are much more likely than the residents of non-rural communities to be classified as probably depressed."

Hoyt's study indicates that one in five persons in rural areas are at risk due to depression symptomatology. He also found a strong relationship between depression scores and the respondents' family financial situation. During the rural "economic recovery," many residents of rural Iowa (63.5%) experienced one or more types of economic stress within the past year. The study also shows that 8.6 percent of families surveyed had been forced to cancel insurance.

Clear evidence exists regarding the deteriorating mental health status of rural America, a time when many consider the rural crisis over and the fallout of the crisis settled. Statistics regarding social and economic change represent more than numbers. They represent people who will experience a myriad of symptoms as a result of socio-economic change. Just as individuals on one level experience depression,

communities can experience a generalized depression because of the state of its citizenry. Individuals and communities suffering from depressive moods act in predictable ways which may impede one's ability to problem solve, seek alternatives, and heal. When one loses a sense of the ability to respond, the value of being an active member in building a present or future diminishes. The psychological status of individuals and families is directly reflected in the psychological mood of the community. Unless appropriate interventions which are acceptable to farm families and farm communities are maintained, the finding of creative solutions to rebuild rural America will be delayed or denied.

In a recent study of farm families in Iowa and Pennsylvania (Martinez-Brawley, Blundall 1988), families told beliefs about the connection between hard work, effort and success were largely flawed. Among all Iowa families and among financially stressed families in Pennsylvania, beliefs about the rewards of hard work has been challenged by continuing economic stress. Such a shattering of basic life assumptions clearly left families with a strong sense of vulnerability. Though families talked about how working hard didn't pay off, they continued to work hard, often at two and three jobs. This contradiction raised a fundamental question. Children are hearing their parents verbalize how work is not being rewarded but are observing that they still work hard. What will be the consequences of these disparate messages for future generations of rural youth? Will they redefine the reward system or challenge the merit of work? Will the economic rural crisis of the 80's give birth to chronic mental health concerns and poverty as has been the case in Appalachia and other areas that have faced employment changes.

Many families spoke of reassessing priorities or essentials. Service providers need to question just what this reassessment means since it may often be dysfunctional. Rural America remains proud and families relabel "essentials" as "nonessentials" in order to protect their self-image. Families may be placing themselves at physical and emotional risk when decisions are made regarding the lack of importance of glasses, shoes, medical care, or sleep. Human service providers must walk an unsteady line as they balance the need for esteem and the need for basic human needs within their clientele.

The issues of mental health status and economic stress has broad implications. The allocation of service and research resources presents tough choices that involve not only dollars but also values.

-Do we live in a society where the public supports the belief that a family where two parents work should be able to meet basic needs? Presently this is not the case for families where husband and wife make minimum wage, have no fringe benefits and are not covered by any health insurance plan.

-Do we as a society believe that poverty-level families have a right to be warm in the midst of winter? In Northwest Iowa this is not the case. Of the 5,000 families who were financially eligible for home weatherization projects, funds existed for only 300 families.

-Do we fully understand the consequences of not treating depression through prevention and rehabilitation initiatives? Depression is one of the most treatable mental health problems when resources are available.

_Have we an understanding of the costs of the demise of the work ethic in depressed areas? What are the implications for the productivity of workers in the future?

The Northwest Iowa Mental Health Center continues to struggle with the human impact of chronic economic duress. We are encouraged that prevention initiatives developed in our region appear to have had a positive impact regarding lower suicide levels than other areas of the state. However, needs continue to increase as resources, at best, are maintained. The impact of the changes within the decade of the eighties on children continues to unfold. Those possibilities of interventions which will reduce the vulnerability of children growing today are in our hands.

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Chairman MILLER. Ms. Natoli?

STATEMENT OF MARILYN W. NATOLI, DIRECTOR OF CHILD CARE/HEAD START, OPPORTUNITIES FOR CHENANGO, INC., NORWICH, NY

Ms. NATOLI. Thank you for inviting me here today.

I am the Head Start director in Chenango County and I want to tell you about my county, which is located in central New York, just south of Mr. Walsh's district.

We have approximately 50,000 people with a minority population of less than one percent. The people living in poverty compose about 12.3 percent of the population. However, this does not take into effect those people living in our seven rural areas where the poverty rate exceeds the average. There's one remote area where 20 percent of the people are poor.

The cooling economy and the rising interest rate have adversely affected our county in the last four months. Sherwood Medical, a manufacturer of medical supplies, is closing its plant, laying off 450 people. To add insult to injury, they're asking employees to go to Mexico to train their replacements. Two weeks ago, a capital goods employer announced the layoff of 60 people, and a major electronic connector manufacturer in a community just adjacent to our county laid off 150 employees in the last four months.

The loss of employment opportunities has a particularly devastating effect on the working poor. Because they are in entry level positions, they are the last hired and the first fired. With limited resources, they often have a difficult time locating new positions and accessing services. Families begin to suffer.

For example, last month, the Domestic Violence Action Committee helped several people who were beaten as a direct result of a family member losing their jobs, the same kind of testimony you have just heard.

In the Head Start family, and we think of ourselves as a family, we find that parents really want to work. We serve 122 children and their families in our county. Of these families, 40 percent of the mothers and 88 percent of the fathers are employed. How do the working poor families manage to feed, clothe and house themselves, to provide day care for their children, to transport themselves and to pay for medical care? You heard some of those stories this morning. Let me tell you what happens in Chenango County.

In Chenango County, there are 15 local food pantries scattered throughout the county which provide food to families in emergency situations. Emergencies have taken on a new meaning, for many sponsors are now reporting that working families are using the pantries on a regular basis. The W.I.C. Program, administered by our agency, which is also funded by the C.S.B.G. Grant, serves 1400 children. Of that, 38 percent are children from the working poor. Many working poor families cannot participate in this program because of their erratic work schedule or their transportation problems. We are beginning to address those problems within our agency.

Many of our local churches and agencies have supplies of clothes which are available free or for nominal costs to our families.

One of our major concerns has been that the dairy industry is going out of business in the county. Therefore, we have abandoned dairy farms and other prime real estate property purchased by large corporations for building lots. These lots are priced beyond the reach of the working poor. They cannot own their own homes.

In addition, the major employer in our county has brought in many new professional employees, further inflating the cost of housing and straining our current housing problems. Working poor families are forced to obtain shelter in affordable housing without regard to the condition of the dwellings.

Increasingly, mobile homes are the only housing available for low income families. Many of these older mobile homes and conventional homes lack the basic necessities of water, of a sewer system, of a hook-up to electricity. There is a fear of fire in rural dwellings as families use makeshift arrangements for heating. You need only to go into a home to see an oil drum placed on cinder blocks to use for heating purposes to understand the concern that our rural firemen have about fire.

Homelessness has a different look in rural areas. We don't have people living on grates or in public places. What we have is many families living together in an apartment or a mobile home. These arrangements don't last very long. Either the families agree to disagree or the landlord finds out what's going on. They are then forced to move, further depleting their limited resources.

Finally, quality day care is a constant need of working parents. The start-up costs of center care are high because of the regulations imposed upon us in New York State by the Department of Social Services. The care is also expensive because of those same regulations. We have to be able to find funding to help our working poor access quality day care.

If you look out my office window, you would understand why the working poor are car poor. Their cars are old. They consume large amounts of gas and oil. They break down regularly. They're tied together with wire and they're covered with rust. Workers need these vehicles to get to work. It's often 20 miles to go to a place of employment. Others have testified this morning that they were looking for employment that was 30 to 60 miles away from their homes. That is also true in Chenango County. We need money to expand our current public transportation systems, so we can make families less dependent on their own vehicles.

Finally, one of the most serious problems facing the working poor is a lack of affordable medical insurance. The escalating cost of medical insurance is forcing many companies to eliminate or substantially reduce the medical benefits they provide. Families cannot afford to pick up that cost. They simply cannot afford the cost of their own or their dependent insurance coverage. They therefore often delay treatment until the condition becomes very serious.

You heard testimony this morning about the availability of services. Families can't access them. For example, in the one area where I reported that 20 percent of the population was poor, the ratio of physicians is one to 4,800 people in that area. People just don't have access to medical care. We need to improve our health

system. We need to provide preventive care. We need to provide well child care for families.

The final concern that we are facing in Chenango County is that the State of New York has identified two possible sites in the county for the disposal of low-level radioactive waste. The safety of these sites is very questionable. Although we are poor and rural, we should not be used as a dump for nuclear waste.

As the Head Start director, I am convinced that Head Start makes a difference in the life of a child and of a family. Other agencies and groups in the county also provide needed services and opportunities for families. Today, I bring a request from those dedicated men and women. Please think about the impact on rural areas when you are developing programs and policies. In particular, think about the needs of working families who live in rural areas.

I want to thank you on behalf of the families and children in Chenango County. The Policy Council of the Head Start Program of Opportunities, Chenango, was excited to think that I would be able to tell you about the problems that they are facing. They want you to know how pleased they are that you are listening to us and are hopeful you are going to hear what we have to say. Please help us as we help working poor families on the road to economic security.

Thank you.

Chairman MILLER. Thank you very much.

[Prepared statement of Marilyn Natoli follows:]

Prepared Statement of Marilyn W. Natoli, Director, Child Care/Head Start, Opportunities for Chenango, Inc., Norwich, NY

Rural poverty is sometimes hidden and not as visually shocking as urban poverty; however, the effect on families is just as devastating. As the Head Start Director in Chenango County, I am aware of the forces which affect those who live in rural poverty. Families struggle to become economically secure; yet, despite their best efforts, they cannot break the cycle of poverty. WHY? Let me describe my county and the economic and social issues which are confronting it in 1989.

Chenango County is located at the northeastern end of the Appalachian Region in the Southern Tier of Central New York. The total area is 897 square miles of which thirteen percent is owned by the State of New York. There are twenty-one townships, eight incorporated villages and one very small city, Norwich, the county seat.

The majority of the population (83.68%) live in places that are classified as rural by the U.S. Census Bureau. The total population is approximately 50,000 with a minority population of less than one percent. People living below the poverty level comprise 12.3 percent of the total county population in 1980. This does not reflect the hidden poverty in the seven rural areas where the poverty rate exceeds the average. In four of these areas, fifteen to twenty percent of the population lives in poverty. One of the areas at the poverty rate in 1980 has seen the loss of its major employer. This is one of the more isolated, underdeveloped areas of the county where working families have one car, limited skills, and lack information on other sources of employment.

The cooling economy and rising interest rate have affected the county's economy in the past four months. Sherwood-Medical, Inc., a manufacturer of medical supplies, is closing its plant in Sherburne and moving the operation to Mexico. This community of 1560 will lost 450 jobs by June. To add to the despair of the employees, some have been sent to Mexico to train the new employees.

Two weeks ago, a major capital goods employer at the southern end of the county announced a lay-off of sixty people. A major electronic connector manufacturer in a community adjacent to the eastern border layed off one-hundred-and-fifty employees in the past four months. The "Stitch-and-Sew" industry which employs approximately six-hundred-and-fifty people is particularly vulnerable to this economic cooling. Employees are hired at slightly above the minimum wage for a training period and then dropped to minimum wage and piece work. These industries employ many working poor families.

Working poor individuals are employed as farm hands, bus drivers, sewing machine operators, day care workers, nurses aides, factory workers, janitors, word processors, fast food handlers, and in other entry level jobs. The rate of pay ranges from minimum wage to $4.25 per hour.

The loss of employment opportunities have a particularly devastating effect on the working poor. Becasue they are in entry level positions, they are the last hired and the first fired. With limited resources, they often have a difficult time locating new positions.

The Chenango United Way assembled a Task Force last month to help the Village of Sherburne during the shut-down of the Sherwood-Medical facility. As a member of this Task Force, I am concerned not only about the loss of jobs, but also about the impact on families. Representatives on the Task Force from the Domestic Violence Action Committee are prepared to respond to an expected increase for their services as a result of the plant closing. In fact, last month the Committee helped several women who were beaten as a direct result of a family member losing their employment at the plant. The Committee is reporting an increase in domestic violence from fifty-five clients in 1984, to one-hundred-forty new clients and eight-five re-entered clients in 1988. This increase is seen as a result of increased community awareness of this issue. The same awareness has impacted on the Chenango County Department of Social Services Child Abuse and Maltreatment Reports. In 1986, there were two-hundred-and-ninety-four reports, with five-hundred-and-forty-five children involved. The Department has had an increase in these reports over the past two years.

In the Head Start Program, we find that parents want to work. In Chenango County, we serve one-hundred-and-twenty-two children and their families. Of these families, forty percent of the mothers and eighty-eight percent of the fathers are employed, for a total of eighty-three people working to support their families. Yet, their income falls within the federal poverty guidelines for Head Start.

A gross annual income of less than $11,600 makes it very difficult to feed, clothe, and house a family of four. This income must also be used for day care, transportation costs, and medical expenses.

HOW DO FAMILIES MANAGE? Fifteen local food pantries scattered throughout the county provide food and supplies to families in emergency situations. More people are relying on the pantries to supplement their food budgets. Emergencies have taken a new meaning, for many sponsors are reporting that working families are using the pantries on a regular basis. Opportunities for Chenango, Inc. (OFC) provides some of the food and supplies for the food pantries by gleaning damaged merchandise from the warehouse of Victory Markets, Inc., a chain of supermarkets with their headquarters in Norwich.

The lack of nutrition education and money often prevents families from making wise food purchases. This year, Head Start hired a Nutrition Assistant to work with families on the selection and preparation of nutritionally sound meals. The agency is working with Cornell Cooperative Extension to provide a similar service for other families.

Testimony by Marilyn W. Natoli
April 11, 1989

The Women, Infant and Children (WIC) Program administered by our agency serves 1414 clients; sixty-eight percent are the working poor. Many working poor families do not participate in the WIC Program because of their work hours or transportation problems. The program has flexed their hours of operation by offering evening clinics, and opened four outreach sites in the more remote areas to increase services to the working poor. The 1989 goal of the WIC Program is to increase the caseload from serving fifty-five percent of the eligible participants to sixty percent of this population.

Many of our local churches have supplies of clothes and household items which are available free or for a nominal cost to families. A local church recognized that lack of dependable transportation prevented families from taking advantage of this service. Deals on Wheels was created to take clothes and household items to the rural areas.

Dairy farms in the county have declined from 650 farms in 1976, to 410 in 1988, with 30 of these farms lost in 1988. As labor expenses rise and machines substituted for labor, farm owners are hiring fewer farm hands, displacing workers and often families. Abandoned dairy farms and other prime rural property is now being purchased by large corporations, divided into building lots, and sold to people from larger metropolitan areas for second homes or retirement homes. These lots are priced beyond the reach of the working poor.

The major employer in the county has brought in many new, professional employees. This influx has inflated the cost of housing near their headquarters, further straining the current housing problems.

Families are forced to obtain shelter in affordable housing without regard to the condition of the dwelling. In 1988, the county issued 163 permits for mobile home or double wide mobile homes, and 160 permits for conventional homes. Increasingly, mobile homes are the only housing available for low income families.

Many of the older mobile homes and conventional homes lack the basic necessities of water, sewer system and electricity. Since the cost of hooking up electrical service is prohibitative, mobile homes are placed near a house with electrical service. An extension cord is connected from the main house to the adjacent mobile home. These mobile homes often do not have plumbing; therefore, water and toilet facilities are obtained at the main house.

The fear of fire is very real in rural dwellings. Families use oil drums standing on cinder blocks and other make-shift arrangements for heating. Opportunities for Chenango, Inc. sponsors a Burn Prevention Program, which installs fire detectors, checks temperatures of water heaters, installs safety caps on electrical outlets and educates families about safety hazards. Additional money would be very helpful in order to expand this excellent program.

Older homes and mobile homes are very difficult to heat, and, consequently use large volumes of fuel. Opportunities for Chenango, Inc. operates a Weatherization Program which installed insulation and related materials in 81 homes, 75 mobile homes and 20 apartments in 1988. Opportunities for Chenango, Inc. also administers the Home Energy Assistance Program (HEAP) for people under the age of sixty who do not receive Public Assistance. Both of these programs are providing a very important and needed service.

The seriousness of the problems of substandard housing in rural areas is reflected in a recent Housing and Urban Development (HUD) Grant designed for fifty houses in two rural townships in Chenango County. Seventy-six percent of the homes needed major work on their sewers and thirty-six percent of the homes needed wells drilled. As with many programs funded by the federal government, the HUD regulations are designed for homes in urban areas, not rural areas.

Homelessness has a different look in rural araes. We do not have people living on grates or in public places. What we do have is two, three or four families living together in an apartment or mobile home. These arrangements last until the families can no longer agree, or the landlord discovers the situation. Working poor families are forced to move, further depleting their limited resources. One of the sad effects is that children lose a sense of themselves. Photos, momentos, personal items get lost in the many moves and cannot be replaced. The current federal regulations deny help to these families because they, in fact, do have a place to live. These regulations need to be changed to address problems of near homelessness.

Affordable, available, accessible quality day care is a constant need of working parents. In Chenango County, there are twenty-three licensed or certified family day care providers. The only licensed day care centers are the five operated by Head Start. Opportunities for Chenango, Inc. provides a Resource and Referral Service as a means to increase the number of licensed facilities.

The business community is recognizing that quality child care is important in the recruitment and retention of employees. The Chenango County Chamber of Commerce, the business community, and Opportunities for Chenango, Inc. are working together to develop a child care center to serve sixty children. The start-up costs are astronomical, while the cost of the care will be prohibitive for the low to moderate wage earner. Funding will have to be located to help the working poor access the center.

Of the ten county school districts, only the Norwich City Schools offers an after school program. In Greene, a community agency struggles to provide a program. Latch Key programs need to be developed and funded to provide safe care for older children.

Low income working families are "car poor". It is not unusual individuals to travel twenty miles one way to their place of employment. Their cars are older models which consume large amounts of gas and oil and break down regularly. Workers need these vehicles to get to their place of employment. Opportunities for Chenango, Inc. operates a limited transportation system in the county. There are fixed routes in the City of Norwich and in some of the rural areas, as well as on demand transportation for the whole county. Money to expand the fixed route system would make families less dependent on their own vehicles for getting to work and accessing needed services.

One of the most serious problems facing the working poor is the lack of affordable and available medical insurance. The escalating cost of medical insurance costs are forcing many companies to eliminate, or substantially reduce the medical benefits. For example, in November, 1988, the cost of the basic medical insurance plan for Opportunities for Chenango, Inc. increased by twenty-seven percent.

Families cannot afford to assume responsibility for medical coverage. Therefore, they use the outpatient services at the only county hospital, or delay treatment until the condition becomes very serious. A mother will first assure that her children receive care, and second that the father receive care since he is often the main source of income. Finally, women seek medical care for themselves. In 1986, twenty percent of Chenango County women did not receive prenatal care within the first trimester.

Infant mortality rate in the county was 10.2 percent infant deaths per one thousand births between 1981 and 1986. The mortality rate for Upstate New York was 9.7 percent for the same time span.

Some local doctors and most of the dentists refuse to accept Medicaid patients. Physicians, psychologists, psychiatrists, physical therapists, occupational therapists, speech therapists, and other medical personnel are unwilling to locate in the county because of our pay scale and geographic isolation.

Beds for recently released mentally ill patients are very limited. Families must, therefore, travel to the larger metropolitan areas to obtain specialized services, adding to the cost of medical care. According to NY-Penn, the Health Systems Agency for the area, Chenango County needs to improve their primary care system, preventive services, well child care and home health care.

The final concern we are currently facing is the State of New York has identified two possible sites in the county for the disposal of low level radioactive waste. Property values near these sites have plummeted. The safety of the site is questionable. Radioactive waste will be transported over our rural highways which are often snow-covered. Our emergency squad and firemen are volunteers without experience or training to handle a nuclear accident. Large numbers of the county population are very concerned and taking action to prevent the storage of radioactive waste in the county.

In Head Start, we serve children for four to seven hours a day, 160 days a year. In each center a Family Assistant works with parents to help locate and access appropriate services. We encourage parents to become actively involved with the education of their child by volunteering in the classroom, serving on agency committees, and participating in Policy Council. We offer training and other education activities for parents. A comprehensive program for both the child and the families is offered during the time the child is enrolled in the program. We do find that parents will often come back to the centers asking for help after their child is no longer enrolled in the program.

Head Start sees children early in their life, when problems can still be corrected. We encourage parents to take responsibility for their lives and the lives of their children.

As I have described, other agencies and groups in the county also provide needed services and opportunities for families. Today I bring a request from those dedicated men and women who were generous in their time and assistance in providing the information obtained in this testimony.

PLEASE THINK ABOUT THE IMPACT ON RURAL AREAS WHEN YOU ARE DEVELOPING PROGRAMS AND POLICIES.

Often the federal regulations and the officials who administer them do not understand the needs of working families who live in rural areas.

Finally, I want to thank you, on behalf of the families and children in Chenango County, who are working hard to become economically secure. It is wonderful to know you care about the economic and social issues facing the working poor families in Chenango County.

Chairman MILLER. I want to thank all of you for your testimony. My apologies again for the shortness of time. I was not aware that the Commerce Committee was going to be using this room. I'll shorten my questions.

Bob, let me ask you something. On page 11 of the report, if I'm reading this correctly, the suggestion is that not only, as you pointed out, does the poverty in rural areas mirror what we would imagine for urban areas, for metro areas, as you put it, but it also apparently differs in the sense that it appears that it's long-term, that families will spend a longer period of time in poverty than perhaps individuals or families would in the urban areas. Am I reading that correctly?

Mr. GREENSTEIN. Yes. Actually, in that area, we're waiting for some very important additional data which we hope to have soon and will be in the next report we put out on the series. But for the purposes of this hearing, what the preliminary data seem to suggest is that particularly for the working poor, poverty is much more likely to be long-term in rural areas than in urban areas.

Chairman MILLER. I just want to see if I'm correct here for the record. Given what appears to be the maximum we're going to do on the minimum wage and the persistence of minimum wage jobs in some of these rural areas that has been described this morning, absent some kind of other income policies, you don't see these people getting out of poverty if they work 40 hours a week and they work 50 weeks of the year. They're not going to lift themselves and/or their families out of poverty.

Mr. GREENSTEIN. Right now, if you work 40 hours, 50 weeks a year at the minimum wage, you make about $6,700.

Chairman MILLER. So, if two individuals do that, they're going to make themselves $12,000, $13,000.

Mr. GREENSTEIN. In fact, if you had one parent working full-time at the minimum wage and a second parent working half-time at the minimum wage and caring for children the other half of the time, and there were two children, it was a family of four, they would still be more than $1,000 below the poverty line. I don't have the figures off the top of my head of what the full-time work would be——

Chairman MILLER. But the implication——

Mr. GREENSTEIN. They'd still be well below—about $8,000.

Chairman MILLER. The implication is that these families are simply going to be stuck in this position, absent somebody bringing a well paying job to the area or they move somewhere else or we do something with the earned income tax and tax policy.

Mr. GREENSTEIN. I think that's exactly right from the figures Isaac Shapiro of the Center on Budget and Policy Priorities is just giving me. I think the family of three with a full-time worker under the bill the House passed, for example, would still be well over $1,000 below the poverty line. A family of four, they would probably still be over $4,000 below the poverty level. We've got a very large gap there.

In addition, given the more seasonal nature of some rural work, we can't assume that all of these workers, even though they want to work, are always working 40 hours a week, 50 weeks a year.

Chairman MILLER. Mr. Holloway?

Mr. HOLLOWAY. Since we're short on time, I'll limit my questions, which may make you happy.

I just want to ask Doctor Sundwall a question.

Basically the fact—and I'm sorry that I missed most of the testimony of the panel, but from reading your statement, I basically get from you that there is money available, that we are putting money out there. My question to you would be, how do we better coordinate this money? How do we better get it to the places it's needed where it can be the most help in the rural areas?

Dr. SUNDWALL. Well, that is a tough question. I would consider if I were in Congress making it a term of participation in the block grants. As you know, when the block grants were created, and that's where the real money is in the aggregate, there's lots of money that funnels through the Public Health Service through those block grants, there were very little strings attached. That's good because the G.A.O., in their analysis of the implementation of the block grants, showed that by and large they're working. The advocates for maintaining those old categorical programs really lost their argument when they were carefully monitored. In 1984, 1985, 1986, the G.A.O. did a series of reports and surprisingly they work. States took the money and were responsible with it and they seemed to be doing what was expected.

However, a couple of things are lacking. We really don't know how the money is spent. There's evidence it's being spent okay, but there is no requirement that I'm aware of that they really do have to collaborate and cooperate.

For example, I spoke in rural Illinois once, at Collinsville, down there just north of Saint Louis, and I had no idea how rural Illinois was until I went there and spoke. But anyway, it was extraordinary for me to see at one of our community health centers, the array of funding they had. They had it from the Administration on Aging and the Public Health Service and a little grant from here and there and State funds and what have you. They were successful by virtue of their being entrepreneurs and going after a little bit of everything.

But it amazed me how fractionated our public policies are as they relate to health care. It's just one idea I had, a requirement of participation in the block grants. But I'm not the only one that's observed this. All these recent reports have indicated the same problem with an apparent gap in knowledge of what's available to people.

Chairman MILLER. Mr. Durbin?

Mr. DURBIN. Ms. Natoli, am I pronouncing your name right?

Ms. NATOLI. Yes, you are.

Mr. DURBIN. Thank you. What percentage of the eligible students in your area are presently being served by Head Start?

Ms. NATOLI. Our statistics indicated that it's about 45 percent. The problem is that the statistics are not very accurate because rural poverty people do not like to access some of the services that are being offered. Therefore, I think that it's about 30 to 35 percent.

Mr. DURBIN. And how about the W.I.C. Program? Do you have any notion as to what the percentage might be on that?

Ms. NATOLI. We serve 55 percent of the eligible participants.

Mr. DURBIN. Mothers and infants?

Ms. NATOLI. Yes.

Mr. DURBIN. It's interesting. I'm on the Agriculture Subcommittee of Appropriations. I just had the gentleman who heads up that program tell me that nationally they were serving 100 percent of the infants. I guess he ought to get up to Chemango County.

If I could ask some generic questions, a couple of them. First, Mr. Greenstein.

My mind's picture of rural America before F.D.R.'s New Deal was a pretty destitute, under-developed part of our nation, before R.E.A. and telephone service, a lot of efforts by the Federal Government to breathe life into rural America. As you talk about the difficulties today with rural poverty, can you tell us whether we're dealing with a general improvement over 50 years or an ebb and flow in terms of relative poverty against center cities? Are center cities getting better as the rural areas get worse? Can you give me a historical perspective?

Mr. GREENSTEIN. First, I don't think there's any question that the situation is nowhere near as bad as it was back in the Depression or periods before that and probably not too far after that as well. But what was happening was for a long period of time, up through the mid to late 1970's, poverty was diminishing in rural America. It was diminishing more rapidly there, I think, by the 1970's than in the cities.

Then we had a turnaround starting around the mid, late 1970's. The turnaround is not primarily due to the problems in the farm economy. It seems to be due much more to the fact that there's been a significant erosion in the manufacturing base in rural America. The story of the jobs going to Mexico was illustrative. The kinds of jobs that are going overseas are much more likely to be routine manufacturing jobs than complex manufacturing jobs. The more complex manufacturing jobs are the ones that traditionally locate in the metro centers, the urban centers.

Rural America made progress primarily because it attracted more industry and manufacturing. But then it was the area of the country that actually lost the most in terms of the manufacture of jobs. So, when you look at unemployment rates, when you look at—for, let's say, late 1970's to the present, they went up with the recession, then come down. The recovery has been much less in rural America than in urban America.

Just look at the income figures. Incomes fell much more during these recessions of the early 1980's in rural than in urban America. Then, in urban America, by 1986, 1987, the average income was back to prerecession levels. In rural America, it's still well below pre-recession levels because those jobs haven't come back in those manufacturing industries.

Mr. DURBIN. That's a good point. I know, we're short on time and I'll ask one last question. Unfortunately, it's a big question and perhaps begs an answer in this particular forum.

I have a place in my congressional district called the Chattacomb, Quincy, Illinois which, frankly, has been a home for orphans and abandoned children for 70 or 80 years. I met with the director of that home and I asked him to trace for me the history of the type of child who would be brought to that home. I thought it said

a lot about what we're faced with today and reflects directly on the testimony of Ms. Blundall and Doctor Sundwall.

He said that in the early days, the children who came to that home were orphans who sometimes were left by their parents because economically they couldn't care for them. Then, in later years, they were children who were neglected, who were brought in there for special care until they reached the age of 18. Now they're getting a brand new type of kid. These kids are coming primarily from rural areas, but not exclusively. These are abused kids, terribly abused kids, physically, mentally, sexually, who come in barely teenagers, as runaways, drug addicts, alcohol addicts, you name it.

We talked a lot about stress and health care in rural areas. I've got to believe that the era we just described in rural America, the terrible poverty of the Depression and such created stress on families. That can't be anything new. What's the new component?

Chairman MILLER. I'm going to ask you to be very brief because I've got two members that have to ask questions.

Mr. DURBIN. Sorry.

Chairman MILLER. You're right, that's a very big question.

Ms. BLUNDALL. One of the things that's different is the resource base. We had more neighbors to help, we had more families to help and we had more churches to help. Now we have a lot of empty buildings. I think it's much easier to be isolated in rural America today than it was 50 years ago.

Mr. DURBIN. Thank you.

Chairman MILLER. Mr. Walsh?

Mr. WALSH. Thank you, Mr. Chairman. I have a number of questions and since we're limited on time, I'd like to ask your consent to submit those at the end of the hearing.

Chairman MILLER. We'll make them available to the witnesses. If you would help us by responding to those, we'd appreciate it.

Mr. WALSH. Right. I do have a couple I'd like to ask. Thank you, Mr. Chairman.

Mr. Greenstein's comments I thought were very, very interesting. There's a couple of things that spring to mind. One was that you talked about a national poverty line, dollar figure. Is it not true that there are certain areas of the country—for example, I live in Syracuse. The cost of living in Syracuse is much less than it is in Washington, D.C. I'm finding that out very quickly. Is that not also true for rural versus urban areas?

Mr. GREENSTEIN. I guess there's certainly some differences in cost of living. The question you may be leading up to is why isn't the poverty line adjusted to reflect that. This is something the Census Bureau has looked at for years and there really just is no good statistical basis for doing that kind of a variation. It's very, very difficult to do. If you try and do it by region, for example, you find that the cost of living often varies as much within regions as between regions.

In rural areas, to be sure, the cost of housing is generally less than urban areas, but the cost of transportation is significantly more. There generally is not public transportation, and gasoline costs are higher. If you don't have a car, you may have to pay a very high amount to someone to drive you to the county seat to shop or something of that sort, to buy groceries.

The Census Bureau really has just not been able to come up with a—to get to the bottomline, the Census Bureau does not feel there is a sound basis for having a different poverty line in rural areas than in urban ones. That's not to say there aren't some differences in cost of living, but we just can't really quantify them.

Mr. WALSH. I'd like to direct a series of questions to Ms. Natoli. I was very interested in hearing what you had to say about Chenango County, which is so close to the two counties I represent, Anandauga and Madison. I think that one of the things that we probably both would agree to is that the people who have lost those job opportunities in Chenango County are now living in my city, have moved into the city of Syracuse and the surrounding community.

Question. On your Head Start funding itself, what has happened to that in the past several years and proposed for next year?

Ms. NATOLI. The funding has not really increased except with a minimal cost of living. This year, for example, we received a 1.7 percent cost of living in my county.

Mr. WALSH. 1.7——

Ms. NATOLI. On the overall grant. What you need to understand is that——

Mr. WALSH. 1.7 percent increase?

Ms. NATOLI. Percent of increase on the total funding that was given to the agency to run the program. What you need to understand is that many of the people that work for Head Start are working poor families. Better than half of our positions start at $3.83 an hour. They work 35 hours a week. Some only work 20 hours a week and are not employed for a full year. We are creating working poor with the current funding for Head Start.

Chairman MILLER. You need the Davis—Bacon Act.

Ms. NATOLI. Right.

Mr. WALSH. We have it, don't we?

Ms. NATOLI. If you pass the Minimum Wage Act and expect the Head Start Program to increase the salaries, you're going to have to do something about the money that you give Head Start. We are going to have to decrease service if we have to increase wages. It's a ripple effect.

Mr. WALSH. Thank you.

One last question of Doctor Sundwall. As a former city council president in Syracuse, I dealt for 11 years with the Community Development Block Grant. One of the problems that we always had with that was that the Community Development Block Grant, as I'm sure the Chairman knows, was much higher than it is today. Community service grants, I'm not as familiar with, but the block grant, there was a title in there that said that you could use no more than ten percent of that money for human services.

It would seem to me that—what that ten percent would do would be to leverage a lot of other private money. So, for example, you had the Brighton Family Neighborhood Center, whose budget was $20,000, could go out and match that money very easily. It would seem to me that one of the ways to get at these, since we're talking about human service problems, is to expand that percent of money available through the Community Development Block Grant, even as those block grants go down, to make that money more available

for human services which would then leverage more money from the private sector.

I'd like to hear your comments.

Dr. SUNDWALL. It sounds reasonable. I'm sorry I have no experience with the development block grants, primarily the Public Health Service ones. But as that would serve as a catalyst to expand the services available, it makes sense to me.

Mr. SARPALIUS. Doctor Sundwall, the area that I represent is a very large one, with 37 counties. In a lot of those towns will find the average age of the population higher than in urban areas. They're struggling to keep rural hospitals open. You touched briefly on what we should do to try to have a fair balance of payments between rural hospitals versus urban hospitals. We're also finding fewer and fewer young people are staying in those rural communities.

Tell me what you think we could do to help some of these rural hospitals stay open and what we we do to try to encourage more young people to stay in those rural towns.

Dr. SUNDWALL. Well, the first question I think I'd have more of an answer to than the last one. The rural hospital situation has been disastrous in certain communities. As you know, when prospective payment was enacted, they anticipated it was going to be a lot cheaper to do business in a rural area than a city and I think they misjudged it. I don't think, as we just heard here from our expert on poverty in America, I don't think the cost of living is that different in rural areas. I know from my relatives and I'm sure you do from experience in Texas, there are some big ticket items that are different, but day to day costs are similar.

Anyway, we have tried to fix that differential for hospitals and it seems to be making a difference. It's too early to tell if it's going to be equitable yet. Mind you, we have to keep in mind that every rural hospital shouldn't stay open. That's a given. Of the 6,000 plus hospitals we have in this country, there seems to be an excess capacity. That's also a given and we've got to figure out how we can ratchet down appropriately. We've already paid attention to those communities that have a sole provider of care. In those communities where, for a certain geographic distance that's the only place they can get care, they should stay open with some public support.

In addition to the payment mechanism being corrected to make it more fair, Congress last year authorized a very good project, and that is transition grants for rural hospitals. Senator Durenberger was the leader in this and succeeded in getting some funding to assist a rural hospital as they transit from being an acute care facility to some other kind of facility that can better care for rural citizens in that area. If that works, and I think it will, it ought to be replicated in other communities. I think that hospitals clearly are important employers and they ought to be a source of care. But if it isn't the traditional kind of acute hospital care we're accustomed to, we ought not to waste those facilities or just shut them down. We ought to use them appropriately.

Regarding small towns, I guess that the cycle comes and goes as to why people stay and leave. I have relatives that wouldn't leave small towns for all the money in the world. They prefer that style of life and always will and they'll put up with the hardships. As we

discuss the poverty in America, let's not lose sight of the fact that there are a whole lot of people, whether they're well off or not, that really prefer the advantages of rural living.

Chairman MILLER. I'm going to have to cut this off here because we've really infringed upon the last panel. Let me thank you very much for your testimony, for your help and for coming down here and giving us a little bit of a window on what some of you are confronting in the delivery of those services and also a better picture of what rural America and certainly rural poverty looks like.

The next panel will be made up of Trudy Brisendine, who is the Director of Program Planning for Fairfax County Department of Community Action; John Bloch, who is the Coordinator of Learning in the North Country, Littleton, New Hampshire; and Robert Rector, who is a policy analyst for Social Welfare and the Family, the Heritage Foundation.

Mr. Holloway has informed that he has to leave and has made a request that Mr. Rector be allowed to testify so he can hear him. I will comply with that request.

Let me just say that I'm going to give each of you five minutes and my apologies. Then if they don't throw us out of here, that will allow time for questions. Unfortunately, select committees like us—I guess this sort of reflects the value they place on this Committee and children—don't have our own committee room, so we're sort of foster children of every other committee.

Mr. Rector, we're going to start with you.

Mr. HOLLOWAY. Mr. Chairman?

Chairman MILLER. Yes.

Mr. HOLLOWAY. May I just make a request that you allow the record to stay open for some additional testimony we wish to submit?

Chairman MILLER. I don't know what testimony that is. We'll take it under consideration.

Mr. HOLLOWAY. Thank you.

Chairman MILLER. Yes?

STATEMENT OF ROBERT RECTOR, POLICY ANALYST FOR SOCIAL WELFARE AND THE FAMILY, HERITAGE FOUNDATION, WASHINGTON, DC

Mr. RECTOR. I thank the Committee for the privilege of being here to testify today. I'd like to say that the views I express will be my own and not those of the Heritage Foundation necessarily. The Heritage Foundation doesn't take positions on specific legislation.

I think that there are two primary factors that assist families in escaping from poverty in the United States. The first is family structure or family stability. If you look at female headed families, we find that 47 percent of those families are in poverty in the United States today. On the other hand, if you look at families with two parents present, the poverty rate falls to approximately 7 percent.

The second key variable in assisting families to escape from poverty is the number of hours of work each year. Among working families with an average work week of less than 25 hours per week, close to two-thirds are poor. But however, if you look at fami-

lies where the average work week exceeds 35 hours a week, only 4 percent of those families are poor.

Now, clearly, those two variables alone are not sufficient. As I said, roughly four percent of married couples with children, with a full-time, full year worker, are still poor, irrespective of the work effort of those parents.

I think there's an interesting emerging consensus, both within the left and the right, about policies to deal with that problem. I think there we need a 2 pronged process. The first prong of the policy should be tax relief to families with children. In 1950, the average family of four in the United States paid 2 percent of its income to the federal government in taxes. Today, that same average family pays 24 percent. Even low income families pay heavy taxes to the federal government when you take all of their tax burden into consideration, including income tax and both shares of the social security tax.

A truck driver, for example, earning $15,000 a year and trying to support a wife and two children, actually forks over about $2,100 to the federal government each year. One key way to help low-income families is to remove that pressing tax burden from them.

Second, we need some form of wage supplementation for even lower income families that do not pay a lot in taxes and that can take the form of an expansion of the earned income tax credit or, I would feel preferably, some form of hourly wage supplementation.

I think it's key here to avoid the pitfalls of a guaranteed minimum income systems. We found in experiments with those systems that roughly one dollar given to a family reduces work effort by roughly 60 percent. The E.I.T.C., on the other hand, links work with government assistance. It reinforces the initiative and enterprise of the parents and is therefore a far superior system. I think that eventually we should have a goal, as Mr. Greenstein stated, of having some form of hourly wage supplement so that any parent working full-time, full year in the United States would be able to support a family of four above the poverty level.

However, in our initial steps, we should concentrate our tax relief and our wage supplementation assistance to the group that I think is in the most severe need, which are families with young children. First if the family is headed by a single mother, the mother has to bear day care costs that are not born by other families with older children. If it is a married couples family, it is far less feasible and indeed far less desireable from the interest of the child for both of those parents to be working.

Therefore, I would commend to the Committee two bills, H.R. 1448, introduced by Congressman Schulze, the Toddler Tax Credit, and the forthcoming Holloway Bill, both of which provide an expansion of earned income tax credit for families with young children and substantial tax relief to families earning less than $25,000 a year, in order to help them have more resources to raise the children in the United States.

Thank you.

Chairman. MILLER. Thank you.

[Prepared statement of Robert Rector follows:]

PREPARED STATEMENT OF ROBERT RECTOR, POLICY ANALYST FOR SOCIAL WELFARE AND THE FAMILY, HERITAGE FOUNDATION, WASHINGTON, DC

Introduction

I wish to thank the committee for this opportunity to testify concerning low income working families, particularly families in rural areas. My remarks reflect my own opinions and not necessarily those of the Heritage Foundation which does not take positions on particular legislation.

The secret to families' escape from poverty is two-fold: family structure and work effort. The impact of family structure is obvious. The official poverty rate for female-headed families with children is 47%. The poverty rate for married couple families with children is 7.8%.

Poverty decreases dramatically as the amount of employed labor performed in a family increases. Eighty three percent of families with children where no work is performed are poor. In working families with an average of less than 25 hours of work per week, 62% are poor. However, among families with children with 35 hours of work per week or more, only 4.2% are poor.

But regrettably full-time work is not a guarantee of escape from poverty. Roughly a quarter of all poor families have a full-time worker. The question of working poor is especially important in rural areas where the percentage of poor who work is far higher than in urban areas.

The long term goal of government policy should be to ensure that a parent who works full-time throughout the course of a year should be able to support a family of four above the poverty level. However, this goal should not be pursued by indiscriminately pushing cash at low income families. Instead what is needed is a carefully tailored policy which strengthens family structure and encourages rather than discourages work effort.

A New Way of Aiding Lower Income Families

Under the present network of welfare programs, most government assistance to low income persons is linked to dysfunctional or self-destructive behavior--or to some type of misfortune which is at least partially controlled by the recipient. Generally, the more self-destructive the behavior and the greater the long term damage to children in low income families, the more generous government support will be.

Under the current system, if an unwed teenager has an illegitimate child, the government pays her money. If she has another illegitimate child, the government pays her more. If she eventually marries, government benefits cease.

If a family separates or undergoes a divorce, the government will pay up to $10,800 per annum in welfare benefits to the mother and children. By contrast, if that same family weathers marital stress and remains together, government benefits are denied, and the government actually taxes that family to provide support to other families which fail to remain intact.

Under the present welfare system, a father may remain

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unemployed indefinitely while the government supports him and his family. However, if the same father gains employment, government benefits cease, and if the father has even modest earnings, the government begins taking those earnings away through taxation.

The current welfare system rewards non-work, illegitimacy, and marital instability. It discourages self-sufficiency and sound family structures. I have termed this a "negative conditioning" system.

We need to overhaul the welfare system changing it into a "positive conditioning" system. Instead of providing government funds contingent on activities which are not in the long term interest of families and children, we should begin to structure a welfare system with an emphasis on rewarding self-sufficiency, self-initiative, and healthy family life.

Let me give an example demonstrating the inadequacies of the present welfare system and the differences between negative conditioning and positive conditioning systems of support. Suppose a young, black male teenager in the inner city today fathers an illegitimate child. If this young father follows the prevailing social norms, and abandons his responsibility, walking away from the mother and child, the government will respond with generosity. Assuming, as is likely, that the mother has a second illegitimate child, federal and state governments will provide her with combined welfare benefits worth between $5,600 and $10,800 per annum. It is quite probable that the government will continue to support the mother and her children for over 10 years.

On the other hand, if this young father takes the course which society would honor, marries the mother, assumes responsibility for the child, and works to support his new family--how does the government respond? It is now the government which turns its back and walks away. Little or no assistance is given. If the father earns more than $6,500 an hour while trying to support a wife and two children, the government actually begins to take money away from this young family through Social Security taxation.[1]

The current welfare system is focused on supporting non-working families, especially single parent families. A new emphasis should be placed on assisting low income working families including intact two-parent families. In practical terms, this means a policy of wage supplementation and tax relief.

Wage Supplements Versus Guaranteed Income

Conventional welfare programs simply handout funds to persons determined to be needy. Classic among welfare schemes of this sort is "guaranteed minimum income". Under a guaranteed minimum income system a certain level of benefits is provided to individuals who perform no work; as the amount of work performed increases the level of benefits is reduced. Programs such as AFDC and food stamps are modified forms of guaranteed minimum income.

One of the major drawbacks of guaranteed minimum income is its negative effect on work effort. The Seattle and Denver Income Maintenance Experiments of the 1970's found that for

every dollar given to a poor family, work effort and earnings in the family were cut by $0.60.

One way out of this dilemma is to provide assistance through wage supplementation. Under a wage supplementation system, benefits are linked to work. At low income levels benefits are actually increased rather than decreased as more work is performed.

The Earned Income Tax Credit

There has been a growing interest among both the left and the right in redirecting the welfare system along the principles of "positive conditioning" outlined above. The recent book by David Ellwood of Harvard, Poor Support, reflects these themes. Most reform proposals center around designs for wage supplementation through an expansion of the Earned Income Tax Credit (EITC). The EITC is not a traditional income maintenance program. Unlike nearly all other existing welfare programs, the EITC embodies--at least partially--the principles of positive conditioning.

1) The EITC is targeted toward those in need: low income families with children.

2) The EITC is available to intact two-parent families as well as single parent families.

3) Unlike other welfare programs, the EITC is linked to work.

4) Unlike other welfare programs, which pay lower benefits the more a parent works, the EITC provides positive work incentives by providing higher benefits as work effort

increases (at least for earnings up to $6500).

In comparison to all other welfare programs, the EITC provides positive assistance to low income families with children with the least negative side effects on self-sufficiency and family stability.

Expanding the EITC

I would support the general direction of reforms commonly discussed concerning the EITC. The value of the credit should be expanded and should vary according to the number of children in the family. Ways should be found to make it more likely that the credit will be received regularly during the course of the year rather than as a refund at the year's end.

Problems with the EITC

The EITC, however, is not perfect; it has a number of serious problems. The first pertains to equity. The EITC provides tax relief or cash assistance as a percentage of annual earnings. A parent with annual earnings of $7,000 receives $910 through the earned income tax credit. The amount will be the same whether the individual works full-time, full year at around the minimum wage earning $7000, or if the individual works for six months at $7 an hour earning $7000. A proper wage supplementation system would distinguish between those who have low incomes because of low wage rates and low productivity and those who have low incomes because of little work effort. The system would be keyed to those who remained poor despite diligent work effort, and would be less generous to those whose low income was the result of a lack of effort.

Second, while an improvement over traditional income maintenance schemes, the EITC does act as a disincentive to labor. Any parent earning more than $5.50 per hour will receive higher EITC benefits the fewer hours he or she works. At present, these effects are small because of the relatively low value of the EITC. If the EITC were greatly expanded in its present form, it would provide substantial labor disincentives to individuals within incomes between $10,000 and $$20,000 a year, similar to the problems of a guaranteed minimum income system.

Before the EITC is significantly expanded, such labor disincentives should be removed or minimized.

Reforming the EITC

The EITC should be reformed to: 1) be more equitable; 2) provide better targeted assistance; 3) maximize work incentives and minimize disincentives. The best way to do all of the above would be to convert the EITC into an hourly wage supplement. For example, to a parent earning the current minimum wage, the government could provide a $1.25 per hour wage supplement if the parent had one dependent child. And a $2.50 per hour wage supplement to a parent who had two or more dependent children. Such a system would guarantee that any parent working full-time during the course of a year, even at a minimum wage job, would be able to support a family of four above the poverty level. As a parent's wage rate rose above $3.35 per hour, the government's hourly wage supplement would be reduced incrementally.

Such a system would target aid to those most in need. It would be equitable, distinguishing between parents who are poor

because of low earnings capability and those who are poor because they perform little work. The hourly wage supplement would maximize incentives for work and self-initiative. For each hour a parent worked, his own earnings would be reinforced by government assistance. For each hour, week, or month the parent went without working, government assistance would be denied. The system would be optimally designed to reward families for taking positive steps to lift themselves out of poverty. Because of these features, such a system would receive widespread and enduring public support.

There seems to be universal recognition in both wings of the political spectrum that an hourly wage supplement for low income parents is an ideal family support mechanism, greatly superior to both the minimum wage and the current EITC. Despite its theoretical soundness, enthusiasm for an hourly wage supplement is tempered, however, by technical difficulties which would make it difficult to administer. In particular, it would be difficult to verify the number of hours an employee works. Both employee and employer would have incentives to collude to cheat the system. For example, if an employee were working 20 hours per week at $6.70 per hour, the employee and employer could report to the government that the employee was working 40 hours per week at $3.35 per hour. This would entitle the employee to a large government wage supplement, which could be divided between the employee and the employer. But it still should be noted, that even with maximum cheating, the inequities of an hourly wage supplement would be no greater than those inherent in a

conventional EITC of equivalent dollar value because the EITC makes no effort whatsoever to distinguish the number of hours worked.

The potential of an hourly wage supplement as a cornerstone for a positive social welfare system is enormous. While the optimum theoretical nature of an hourly wage supplement is widely recognized, little or no research has been done to discover means for overcoming the technical obstacles to such a system. I would strongly recommend substantial new government research on means of implementing an hourly wage supplement. If an hourly wage supplement proves infeasible, such research should, at least, find means for modifying the existing EITC to distinguish full-time work from part-time work and part-year work. Without such modifications, the labor disincentives from a substantial expansion of the EITC would be enormous, and public willingness to support a generous EITC would be justifiably limited.

The Minimum Wage and Low Income Families

A second much-discussed means for assisting low income working families is an increase in the minimum wage. The minimum wage is a poor vehicle for this purpose because: 1) it is poorly targeted; 2) it generates job losses; 3) it produces considerable unnecessary consumer costs; 4) it promotes inequities. All experts agree that the minimum wage is poorly targeted. Some 80 to 85 percent of minimum wage workers are not poor and are neither parents nor heads of households. Raising the minimum wage will generate between 100,000 and 500,000 lost jobs, while having very little effect in reducing poverty. Those

who lose jobs will disproportionately tend to be young and black. Many feel that making it difficult for such young workers to obtain entry into the labor market will have a significant long term negative effect which outweighs the small-scale positive effect of minimum wage hikes in reducing poverty.

Raising the minimum wage yields substantially increased consumer costs, while benefitting a population that is primarily not poor and not in need.

Raising the minimum wage is conventionally viewed as egalitarian. But, correctly viewed, most of the impacts of a minimum wage increase are "Robin Hood in reverse", taking from less affluent workers to benefit more affluent workers. Misunderstanding stems from the fact that minimum wage workers are inevitably regarded as low income individuals. While minimum wage workers earn low wage rates, they also tend to have fewer financial responsibilities. For example, it is questionable whether a teenager living with his parents and earnings $3.35 an hour should be regarded as having a lower income than a father supporting a wife and two children on $7.50 an hour. A more accurate measurement of an individual's economic standing would be the wage rate divided by the number of family members supported by that wage.

If Senator Kennedy's proposal to raise the minimum wage in excess of $9,000 a year were passed, most minimum wage earners would, in fact, have a wage rate per family member above the national median for families with children. Those who view the minimum wage as "equalizing" have over-simplified the question

and should reconsider the issue.

Most welfare experts on the left and the right dislike the minimum wage as an instrument for assisting poor families. There is a universal acknowledgment that an expanded EITC is a superior policy tool with far fewer negative side effects. Support for increasing the minimum wage at the present time is matter of pure expediency. The costs of increasing the minimum wage are born by consumers, not taxpayers. The costs are "off-budget", hidden and not subject to Gramm-Rudman-Hollings. Thus, minimum wage increases, while inferior as a policy instrument, are seen as more politically feasible.

We should not confuse political expediency with sound public policy. Whatever happens to the minimum wage in the present debate, we should recognize that the minimum wage as a mechanism for assisting low income families is overwhelmingly inferior to government wage supplementation. In the long run, we should seek decreased reliance on the minimum wage as a family support mechanism.

A New Consensus?

There is a growing interest among a variety of conservative groups in wage supplements as a means of aiding the poor. However, conservative support for EITC expansion or similar policies will be disappear if the mechanism used to fund the expanded EITC is a "soak the rich" scheme or some form of tax increase which will damage economic growth. The EITC should be expanded gradually; funds for this purpose should be made available through restraint in government spending on other

programs. We should also look carefully at the possibility of diverting at least some funds from the $140 billion which the government currently spends on other means-tested programs, in order to finance an expanded EITC.

Targeting Support: Families with Young Children

As the EITC is expanded incrementally, it is important to provide the initial assistance to the families in greatest need. The group most urgently needing assistance is families with pre-school children. Among two-parent families it becomes less desirable and less feasible for both parents to be employed if there are pre-school children in the home. Thus two parent families with young children face greater financial pressures than those with older children and should be given priority in public policy. Employed single mothers with pre-school children face daycare costs not borne by mothers with older children and thus should be given greater support. Two worthwhile proposals for families with young children are the Bush child tax credit plan and the "toddler tax credit" (H.R. 1448) introduced by Congressman Richard Schulze of Pennsylvania. The "toddler tax credit" would expand the EITC for preschool children and provide a $1000 tax cut for each child under five to families earning less than $30,000 per year.

Conclusion

The current welfare system is in need of fundamental overhaul. We need to proceed carefully to set the foundations of a new system which will truly meet the needs of low income parents and children.

1. Above $6500 the family begins tax payments through the "employer's share" of social security tax. This tax is correctly considered a direct tax on the parent's wage.

Chairman MILLER. Trudy?

STATEMENT OF TRUDY BRISENDINE, DIRECTOR OF PROGRAM PLANNING, FAIRFAX COUNTY DEPARTMENT OF COMMUNITY ACTION, FAIRFAX, VA

Ms. BRISENDINE. Thank you, Mr. Chairman. I appreciate the opportunity to talk to you today about community action in Fairfax County.

I'd like to give you briefly a snapshot of some of the migrant workers that we're seeing coming from rural areas into the county. Most of these people are construction workers that are coming for the boom in the construction stage in Fairfax County.

What we did is go out to the park, Burke Lake Park, last fall, in September, after most of the families had gone home because many of the campers there had children and went back to live with relatives in West Virginia, Florida, Texas, Louisiana, Maryland, and Pennsylvania. But of the ones that were there, we did a spot survey and we found the following results.

First of all, there's a misconception that many of these construction workers have homes they can go to. We found that 71 percent of our respondents indicated that they didn't have anyplace to go, that the campground was home to them.

Second, we found that one-third of the campers, the working campers, indicated that they worked as day laborers, which indicated that they had no benefit plans and no solid job that they could go to and expect to go to.

Third, we found that many of these people experienced seasonal fluctuations in their income due to illness or injury on the job and to the weather. And when the construction industry had to shut down for awhile, if subcontractors didn't deliver on time, and there was no work for a day or two or three or four or five, people didn't get paid.

We also found that one of the perceptions was that large construction companies in Fairfax County were going outside the county, to other rural areas, and recruiting people to come in. What we found instead was that 21 different small employers were employing the people that responded to our survey. So, it wasn't mass recruitment. It was people of all different trades in the construction industry that were coming in and finding jobs.

We found that the people came mostly for more money. We had one drywaller who was making $5 in West Virginia and when he came to Fairfax County, doing the same work, he was paid $15 to $20 a hour. Now, $15 to $20 an hour averages out to about $40,000 a year, which is enough money to live above the poverty level. This man had been unemployed for about seven to eight months, he had debts that were behind him that had to be paid before he was eligible to have a clean credit rating in order to get an apartment to rent.

We found that a lot of these people need transitional help. One of the things that we have found that worked very well for us was the use of the McKinney funds. That was a flexible pot of money that we could use and we could use it to pay for damage deposits, we could use it to pay for first months rent, we could use it to pay

for utilities turn on costs, for continuing utility payments over the course of a transitional period of time. We used the money for child care in spotty situations. We also used the money to pay for medical and dental expenses that had to be paid before a lot of these people could work at a normal job. So, we found that the McKinney funds were very flexible and very helpful.

One of the things that we would like to see happen is to see that the portion of McKinney money that's available for use for prevention of homelessness be increased. During the '88 amendments to the McKinney Act, 25 percent of that money was made available for prevention of homelessness. It is so much easier to deal with people when they're on the verge of being evicted, as bad as that is, and so much less expensive than dealing with them later on, after they have lost everything. So we would like to see that portion of the McKinney money expanded.

We'd also like to see more money for community service block grants. I think you've heard a lot this morning, several of the other people testified about the different things that community service block grants do and as a community action agency, we depend on that money to offer this help to the people.

One of the things we also would like to see done is assistance with the school system. Many of our working campers had trouble just enrolling their children in schools. Now, this seems like it ought to be a fait accompli in a place as sophisticated as Fairfax, but it wasn't.

What happened was that the school system was not prepared to register people who didn't have a permanent address. Once they made that accommodation, they required children's immunization records and physicals. And a lot of working campers who are living out of a pup tent and the back of a pickup, didn't have access to immunizations and to physicals. When they did try to take their children for physicals, they found out that the cost of a physical was $45.00 to $50.00, which they might not have happened to have. So, in that case, some of the children were delayed in getting to school, even though they found out they could be enrolled.

We'd like to see if Congress could do something to encourage the school system to deal a little more realistically with homeless children. Over the last 15 years, the school system has learned very well to adapt itself to the needs of special education students. I think it's time that they began to deal with students who are also economically very fragile.

One of the last things that we would like to do is have Congress see if you could indicate a better method of collecting statistics on these people. Even at the local level in Fairfax, with our county sophistication, we're having trouble getting a handle on how many people are served. I think if Congress could come forward and ask the agencies that deal with these people on a regular basis to have a regular method of collecting statistics, it would give all of us a much better handle on which to base our future programs.

Thank you very much.

Chairman MILLER. Thank you.

[Prepared statement of Trudy Brisendine follows:]

PREPARED STATEMENT OF SANDRA STINER LOWE, EXECUTIVE DIRECTOR, TRUDY BRISENDINE, DIRECTOR OF PROGRAM PLANNING, FAIRFAX COUNTY DEPARTMENT OF COMMUNITY ACTION, FAIRFAX, VA

Mr. Chairman and members of the Committee, I am Sandra Stiner Lowe, the Executive Director of the Fairfax County Department of Community Action (DCA). With me is Trudy Brisendine, DCA's Director of Program Planning. We appreciate the opportunity to speak with you today on behalf of VACAA, the Virginia Association of Community Action Agencies, regarding our experiences with low income workers who are moving to Fairfax from rural areas of the country to find jobs.

While Fairfax's Community Action Program had its origins in Lyndon Johnson's anti poverty initiatives, it has been our experience in recent years that a growing number of our clients are not public assistance recipients, but the working poor who are unable to stretch their earned income to meet the cost of living in our affluent County. Our programs assist these individuals in emergency situations, link them with community resources and assist them through counseling and other services to achieve personal and financial self-sufficiency. Very frequently DCA programs prevent the working poor from slipping through the cracks by supplementing other County services.

A PROFILE OF RELOCATING WORKERS

Fairfax County, like other jurisdictions around the country which are seeing an influx of skilled, unskilled or semi skilled workers relocating for employment opportunities, has had difficulty defining the characteristics of this population. Numbers are also hard to come by because some people have successfully been integrated into the economy. Others have identified themselves to shelters and social service agencies and formally requested assistance. Still others, though not fully successful in establishing independence, shun the stigma of welfare and public assistance and maintain a quasi-independent lifestyle in campgrounds, multi-family apartments, and on construction sites.

A 1987 study, Homelessness in Fairfax County, by Eric Goplerud, Ph.D. of George Mason University, states that,

> "In Fairfax County the building boom has drawn construction workers from other parts of the country, especially areas of high unemployment such as West Virginia, Ohio, and southwestern Virginia. During the winter many of these construction workers live in cheap hotels near their work sites. As the weather warms, some sleep in their cars, trucks or campers. Others sleep in partially completed buildings. Fairfax County Park officials estimate that between 50 and 100 per night stay in county-operated campgrounds."

In an effort to learn more about these workers DCA canvassed the migrant workers living at Burke Lake Park in September, 1988. The information gathered was intended to identify for further study key problems and issues regarding the working campers. Presently this preliminary information is being used by a County Task Force on Itinerate Workers which will be providing suggestions to the Board of Supervisors as to what initiatives the County might take to assist these workers to establish themselves in permanent housing.

The profile DCA has drawn of the working campers is sketchy at best. It is based on information provided on 38 intake forms. Because no interviewer administered the questionnaire there was no opportunity for question clarification and the analysis should not be perceived as formal research study. However, it does provide some information about why some workers relocate to find jobs and the circumstances they find themselves in as they go through the process.

Some of the key issues emerging from the responses are as follows:

- o Most of the campers responding to the questionnaire wanted to remain in Fairfax County permanently, but could not afford to do so because of housing costs.

- o Most of the campers, 71 percent, indicated they had no permanent address to return to.

- o Almost one third of the campers indicated that they worked as day laborers and therefore could not be sure of income.

- o Most of the campers experienced seasonal fluctuations in income due mainly to weather, illness and because they could not afford to stay in the County after the Burke Lake Campgrounds closed at the end of the season.

- o No clear pattern of business recruitment of workers emerged from the responses. Only 11 percent of the working campers said they were recruited by businesses.

- o Additionally, no one company seemed to be employing large numbers of campers. Twenty one different companies were listed as employers. Of these 21 companies, one was mentioned three times and one was mentioned twice. All the other companies were named only once.

- o One-third of the campers said they were from West Virginia. Nine other states were named as places of origin. The in included Texas, Florida, Louisiana, Ohio, Delaware, Georgia, Indiana, Maryland and Oklahoma. The remaining campers came from Clifton Forge, Fairfax, Richmond, and Woodbridge, Virginia.

I am including in my testimony a more detailed analysis of the responses.

From the data derived from this questionnaire and our experiences with the working poor we feel there are several areas in these people's lives where assistance is critically needed. They are:

- Help in locating affordable housing and assistance in funding initial start up costs.

- Access to free or reduced-cost medical care.

- Assistance in enrolling children in school and supportive services for the children within the school system.

- Outreach from civic, ecumenical and business organizations addressing specific relocation problems.

HELP AVAILABLE

Traditional sources of public assistance which provide emergency and transitional help to low-income people are not always readily available to individuals and families who move to new locations to find work. Some Federal "entitlement" programs - Aid to Families with Dependent Children and General Relief base their eligibility on income. Many of these people have just enough income to be unable to qualify for assistance, but not enough income to be self-sufficient.

State and local government funds are frequently tied to residency requirements, and with increasing demands for housing assistance the states and localities are reluctant to commit large amounts of their shrinking financial resources to families who have just moved into an area from out of state.

WHAT COMMUNITY ACTION CAN DO

The Fairfax County Department of Community Action has found some resources at the grass-roots level. As we worked in the Fall of 1988 to assist some of the migrating construction workers who were living in the Fairfax parks we found that local publicity about the problems these families faced had created a ground swell of support from ecumenical groups and civic-minded organizations. Churches volunteered to provide assistance in areas such as housing, food, medical care, transportation, clothing and moral support.

Congregations worked with Community Action and the Department of Social Services to "adopt" families and assist them to learn to use the social service system for assistance, as appropriate, and to use their own networking contacts in other areas. This resulted in establishing some families in temporary and permanent housing, providing a source of funds for damage deposits and first month's rent, utility turn-on costs and helping locate furniture and items necessary to set-up housekeeping.

Perhaps even more important than the financial assistance the churches provided was the support group of parishioners which became available to assist the families in areas as diverse as finding a good, reasonably priced mechanic to fix a car to locating appropriate child care.

MCKINNEY FUNDS

One funding source that was critical to the success of these ventures was the availability of McKinney funds. Community Action's McKinney program was deliberately structured to provide flexibility in the use of the money so that it could be used in a variety of ways to fill the gaps left by other assistance. This has enabled us to stretch our resources to serve more people.

The cost of helping a family get reestablished in the Northern Virginia area is extremely high. Apartment rents alone are in the $700 minimum range. That means that a relocating family needs at least $1,400 up front - $700 for the first month's rent and $700 as a damage deposit. And that's just the beginning. Add to that the cost of turning on utilities and telephone service and some normal moving expenses and it's easy to see why migrating families don't have the necessary cash flow to

handle a smooth transition from months of unemployment in one location to a new living situation. Some time spent in a homeless shelter, camping, or other temporary living situation is in many cases becoming the norm rather than the exception.

MEDICAL CARE

Another source of grass-roots support Community Action has tapped is the network of private physicians we've been able to recruit to provide low-cost or free medical care to people at or below 125% of the poverty level. DCA has contracted with over 200 physicians, three medical laboratories and six pharmacies for the delivery of health care services. In some cases a patient seen for an acute care visit by one of these physicians pays nothing for the service. In other cases the physician's charge may be 10-50% of the cost of a regular office visit. Laboratory tests and prescriptions are also provided free or at minimal cost.

The DCA children and adult medical care programs last year served 3,200 low income Fairfax County residents who were not eligible for medicaid, but did not have health insurance. The programs were also able to accommodate some of the medical problems that were experienced by the homeless workers camped at Burke Lake Park. An improvement we are suggesting be made this year is to have the nurse practitioner (hired by the Fairfax Department of Health under a McKinney grant) schedule regular "sick call" visits to parks housing working campers. The nurse practitioner currently does this for the people housed in Fairfax homeless shelters and might be able to include the camps as part of a regular program.

After a triage assessment by the nurse practitioner, referrals could be made as needed to the DCA network of physicians. Because people who have no money and are not eligible for medicaid tend to defer medical treatment until an acute emergency develops many of our working homeless are not getting preventive medical care. We saw an example of this last year when on a visit to the park we encountered a six year old who had developed a blister on the ball of her foot. Her father had attempted to reduce the blister by first pricking it with a pin, then later with a knife. By the time we met the child she had an angry infection spreading up the back of her leg to her knee. If medical care had not been made available at that point the long-term consequences of such simple neglect could have been very serious for the child.

During that same visit to the camp we encountered three cases of impetigo which were not being treated and a child with cystic fibrosis who needed medication. Our hope is that by bringing in the nurse practitioner this year and employing the DCA physicians for referrals we can accommodate the needs of the workers who can not afford to pay for medical treatment.

SCHOOL ACCOMMODATIONS

Another serious need of people with children migrating into an area to work is an accommodation with the local school system. When people move from house to house there are no problems enrolling children in local schools. But, when people are homeless some recognition needs to be made of that fact.

First of all school systems must have a plan for enrolling students with no fixed address or with a temporary address. This was a problem in Fairfax until policy changes were made. Assistance may need to be provided to help parents arrange for the transfer of school records and immunization records. If a school physical is required, parents need to be informed of Health Department clinics which provide the physicals free of cost. Finally new bus routes may need to be mapped out. These may seem like small adjustments for a school system to make; but if they aren't made, most assuredly children living in these homeless situations will not get to school.

DCA would like to see school systems do more than just accommodate the enrollment needs of these migrating students. Recognition needs to be made of the fact that these youngsters are not living normal lives. When their parents are concerned with earning enough money to buy food, and saving enough money for a damage deposit and first month's rent on an apartment there is no room to focus on creating a positive learning environment and providing a place to study. The schools should modify their program as much as possible to meet the needs of these students. Late buses should be provided so that students can stay after school for extra tutoring or to do homework. Teachers should be advised of the children's living arrangements and the transient nature of their enrollment in school so they will be better able to quickly assess the children's progress and determine the appropriate stage of instruction. School counselors should provide outreach support to parents to help them learn what they can do to provide as much normalcy as possible for the children. School administrators must be sensitive to basic needs of these students and make sure they are signed up and taking part in free breakfast and lunch programs. Finally teachers and counselors should be encouraged to communicate a sense of pride and self-worth to the children. Over time the school systems in this country have learned to accommodate the needs of special education students. They should also begin now to develop innovative outreach programs to accommodate the needs of these new "economically fragile" students.

AFFORDABLE HOUSING

The most critical need of families migrating to find jobs is affordable housing. Many Americans who choose to relocate for work opportunities manage to do this on their own. However, some migrating workers we've seen in Fairfax County need help in this area. Some of the families coming to the County have been through such economic devastation before they finally make the decision to move that they have fractured the normal support systems that most people have in similar circumstances. They arrive here destitute and need temporary assistance until they secure a job and can manage to save the funds necessary to set up housekeeping.

We've already talked about the help the McKinney money is able to provide, but we have an additional suggestion in the housing area.

REALTOR NETWORK

In Fairfax we're organizing a network of professional real estate agents willing to provide relocation services to low income families. Most realtors earn their living from selling houses to people who have enough money to purchase them. But realtors, like doctors, also have a broad based concern for the community as a whole and are willing to invest time

and effort in helping to solve housing problems in their own backyards. By assembling a large network of realtors and asking each one them to help no more than one or two clients, we will assure that no one realtor is asked to take on more than a fair share of those clients.

We've been working closely with individual realtors and the Northern Virginia Board of Realtors to develop a group of realtors who will volunteer to work on a one-on-one basis with low income clients who need affordable housing. We hope that by tapping the realtors knowledge of available housing and financing these low income clients will be able to reduce the amount of time it currently takes them to learn the community and locate affordable housing on their own. Since we will be training the realtors about Section 8 housing eligibility and possible sources of rental deposits like the McKinney funds, they will be able to work with the clients to put together a financing package enabling the client to move from shelters and campgrounds to places of their own. We envision this working much the same way realtors traditionally help clients develop an appropriate financing package to purchase real estate.

We see that this public-private partnership approach can have an additional benefit for low-income families. By dealing with professional realtors, rather than public agencies, we expect the migrant families to begin to feel like consumers again, rather than like clients of a public assistance system. We hope this will strengthen their sense of self-worth and self-esteem.

WHAT CONGRESS CAN DO

(1) Define Responsibilities

People relocating for work who are in serious economic difficulty are frequently unable to qualify for the immediate assistance they need to prevent them from becoming homeless. Because they are in a transitional status they don't meet state or local residency requirements and, although they may be desperate, they might not be assigned priority for services over long-term residents of a locality.

With the increased demand for emergency housing nationwide the ability of local governments to respond to all needy people is decreasing. Ethical questions about who is eligible for services are increasingly being raised. Without direction from Congress, decisions about eligibility vary from place to place, and state and local governments continue to feel imposed upon. Responsibility for meeting the emergency needs of transient workers should be assigned by Congress and a national commitment should be made to assisting those people who are not asking for welfare - only for assistance to establish themselves in a location which will provide them with a job to support their families.

(2) Fund More Flexible Programs Like the McKinney Act

The ability to tap existing sources of money for a wide variety of needs makes it easier to help people to get settled. Although the basic need for housing is shared by many, other needs of the individuals are unique to their own family situations and the problems they have encountered along the road to homelessness.

Some families need only money for a damage deposit. Others have medical or dental needs that must be treated before employment is a possibility. Many need assistance with child care. Some need cash to buy uniforms necessary for a new job. Transportation to work is also a necessity, and many of these families have continuing car repair bills that prevent them from ever saving enough to establish themselves. Funding sources must be flexible enough to address any and all of these needs.

(3) Increase Percentage of the McKinney Funds for Prevention of Homelessness

The 1988 amendments to the Steward B. McKinney Homeless Assistance Act permit the use of 25% of the grant awards for the prevention of homelessness. This is an improvement over the original legislation which did not permit any expenditures for prevention purposes; however, further changes to the Act should increase this percentage. Such flexibility would help some rural workers to gain time for exploring other local employment options by forestalling home eviction procedures which often precipitate migration to another state to find work.

(4) Fund Specific Relocation Programs

Federal funds could be designated to provide relocation assistance to workers forced to migrate in search of jobs. Money could be specifically allocated for housing expenses on a one-time basis; or could be loaned to eligible workers at low interest rates.

(5) Require Collection of Statistical Data

As DCA has worked in this area we have tried to judge whether the Fairfax County experience is typical of these problems throughout the nation. What we've found is that no one knows. The Census Bureau is frank to admit it is difficult to count homeless people, or transient workers. State and local government efforts to tabulate this information are also poor. Better efforts to capture and analyze this data are needed.

(6) Provide More Affordable Housing

Housing for low-income people is critically needed. Without new initiatives in this area by the Federal government the crisis will continue to grow. It is difficult enough for low-income people who have secure homes to manage their finances from day-to day, but it is nearly impossible for someone who is economically destitute to be uprooted from their home, to move, change jobs and settle in to a new community without a stop in a shelter, or time on the streets. More affordable housing is the only solution to reversing this pattern.

I appreciate the time you have given us today, Mr. Chairman to share some of our experiences and thoughts with you. We will be glad to answer any questions you may have for us.

EXPLORATORY ASSESSMENT OF NEEDS
AMONG BURKE LAKE CAMPERS

The following represents a preliminary fact-finding effort by the Department of Community Action (DCA) to identify for further study key problems and issues regarding migratory workers living in County parks. DCA will be conducting a survey of this segment of the population in the summer of 1989. When the upcoming survey is completed, it will offer a comprehensive profile of this segment of the population.

In the meantime, the results of DCA's first fact-finding attempt offer some broad perspective on this group of economically displaced migrants and their motivations for moving into our community.

Attached is a summary of information derived from 38 Camper Intake Forms distributed to working campers at Burke Lake Park in mid-September (after many of the families had left the campgrounds). The forms were distributed to campers and were administered without the assistance of an interviewer.

Although this first attempt at gathering data on the campers should not be perceived as a formal research study, it does provide some useful information about the campers and their reasons for staying in County parks.

Some of the key issues emerging from the responses are as follows:

- Most of the campers responding to the questionnaire wanted to remain in Fairfax County permanently, but could not afford to do so because of housing costs.

- Most of the campers, 71 percent, indicated they had no permanent address to return to.

- Almost one-third of the campers indicated that they worked as day laborers and therefore could not be sure of income.

- Most of the campers experienced seasonal fluctuations in income due mainly to weather, illness and because they could not afford to stay in the County after the Burke Lake Campgrounds closed at the end of the season.

- No clear pattern of business recruitment of workers emerged from the responses. Only 11 percent of the working campers said they were recruited by businesses.

- Additionally, no one company seemed to be employing large numbers of campers. Twenty-one different companies were listed as employers. Of these 21 companies, one was mentioned three times and one was mentioned twice. All the other companies were named only once.

- One-third of the campers said they were from West Virginia. Nine other states were named as places of origin. The remaining campers came from Clinton Forge, Fairfax, Richmond, and Woodbridge, Virginia.

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Exploratory Assessment of Needs Among
Burke Lake Campers

Employment:

- o Permanent, Full-time Employment vs Day Laborer
  - 58 percent of the working campers interviewed indicated that they considered their jobs in Fairfax County to be "permanent" employment; i.e., not day labor.
  - 32 percent of the campers indicated that they were day laborers.
  - 5 percent of the campers responded that they were unemployed and were currently engaged in job searches.
  - The remaining answers were unclear.
- o When questioned on how long they anticipated staying in their current jobs,
  - 50 percent of the campers indicated their jobs were either permanent or would last for an indefinite length of time.
  - 11 percent indicated their jobs would last a year or longer.
  - 13 percent responded that their jobs would terminate in 2 weeks - 4 months.
  - 3 percent of the campers indicated that their work would last another 6 - 8 months but that they would have to leave when the Burke Lake Campgrounds closed.
  - The remaining campers responded with indefinite answers, such as, "as long as I can," and "when job is done."
- o When asked how many days they had worked in the last month,
  - 37 percent of the campers responded that they had worked 21 or more days in the past month.
  - 24 percent answered that they had worked 16 to 20 days in the previous month.
  - The remaining 29 percent of those responding to this question indicated that they had worked 15 days or less in the prior month.
  - 8 percent of the campers said that they had no work in the last month.
  - 2 percent did not answer.

NOTE: Percentages were rounded to the nearest whole number.

Employers:

- The working campers identified 21 different companies as their employers. 67 percent of these companies could be readily identified as construction companies.
- 18 percent of the campers indicated they had no current employer.

Decision to Move to Fairfax County:

- When asked what brought them to Fairfax County,
  - 29 percent indicated that they came to the County based on a word-of-mouth recommendation from a friend or relative.
  - Another 29 percent responded that they "came for work" without indicating why they selected Fairfax County for their employment searches.
  - 11 percent indicated that they were recruited by business.
  - Another 11 percent indicated that they had responded to newspaper ads.
  - Surprisingly, 5 percent responded that they had been long-time residents of Fairfax County.
  - Another 5 percent indicated that they had been to the County before.
  - The remaining respondents indicated other reasons for coming to the County, such as "good Veterans' Hospital" "car broke-down" and "Campground Reference Book"

Housing:

- Permanent Address
  - 71 percent of the working campers surveyed indicated that they had no permanent address.
  - 29 percent responded that they had a permanent address.
- Room--Weekdays Only
  - 53 percent responded that they were not interested in finding a room for weekday nights.

- 45 percent of the campers surveyed would be interested in finding a room where they could board on weekday nights. Many of these respondents also indicated that this would only provide a temporary solution and that permanent housing would be their first preference.

- 2 percent did not answer.

- Permanent Housing for Families

  - 44 percent of those surveyed indicated that they wanted to find permanent housing for themselves and their families.

  - 18 percent did not want permanent housing.

  - 16 percent either did not respond or gave unclear answers.

- Monthly Rent

  - 8 percent indicated that they had no income that could be used for monthly rent payments.

  - 13 percent indicated they could afford monthly housing payments of $250 or less.

  - 18 percent could afford rent payments of $300-450 per month.

  - 21 percent could afford rent payments of $500-600 per month.

  - 13 percent indicated they could make monthly housing payments of $600-1150.

  - 26 percent either did not respond or gave unclear answers.

Salary:

- Monthly Income

  - 58 percent of the working campers surveyed indicated that their monthly incomes were less than $1,000 in the previous month. Included in this were:

    -- 18 percent of the campers surveyed said they had monthly incomes of less than $100 in the previous month.

    -- 11 percent of campers surveyed had incomes of between $101-$300 in the previous month.

    -- 11 percent had incomes of $301-$500.

    -- 5 percent had incomes of $501-$700.

    -- 13 percent had incomes between $701-$1,000.

  - 31 percent of the working campers reported an income of $1,001 - $2,000 in the previous month.

- Only 5 percent of the campers reported earning a monthly income of $2,000 or more in the previous month. (One camper reported a monthly income total of $4,000 which the camper indicated was earned at two jobs in an 18-hour work day.)

- 5 percent did not answer this question.

o Estimated Yearly Income

- 39 percent of the campers estimated their yearly earnings to be $15,500 or less.

- 27 percent had incomes between $15,500 to $20,000.

- 26 percent of the campers estimated their yearly incomes to be between $20,000 to $35,000.

- Only 8 percent of the campers anticipated annual earnings of $30,000 - $55,000.

o Seasonal Fluctuations

- 58 percent of the campers responded that they experienced seasonal fluctuations in income due to such things as weather, illness and lack of affordable year-round housing in Fairfax County.

Residency:

o 11 percent of the campers indicated that they lived in Virginia before living in the parks. The Virginians came from Clifton Forge, Fairfax, Richmond and Woodbridge.

o 32 percent of the campers came from West Virginia.

o 13 percent of the campers came from Texas.

o The states of Florida, Louisiana and Ohio were each represented by 8 percent of the campers (or a total of 24 percent of the campers came from these three states combined).

o The remaining campers came from the states of Delaware, Georgia, Indiana, Maryland and Oklahoma.

- Length of time in Fairfax Parks,
  - 18 percent of the campers responded that they had been at the park for 8 days or less.
  - 13 percent indicated that they had been camping in Fairfax for 2 - 3 weeks.
  - 29 percent said they had been living in the parks for 1 - 4 months.
  - 26 percent of the campers indicated that they'd been living in Fairfax County for 7 months or longer.
  - 13 percent did not respond to this question.
- Among the sites that campers indicated they stayed at since coming to Fairfax County were: Burke Lake Park, Fairfax Park, Little Bennett Park, the homes of friends and relatives, parking lots, job sites, woods, side of the road, school grounds, and motels.
- When asked if they would return to their home states if their current jobs were terminated,
  - 50 percent said they would not;
  - 8 percent said Virginia was their home state; and
  - 21 percent said they would return to their home states.
  - Others responded with open-ended answers such as.

    "Depends"
    "Can't afford rent in Fairfax"
    "Maybe, but not if I can make good money here"
    "Unless other work comes available"

Personal:

- Age: The adult campers surveyed ranged in age from 21 to 55 years old. Of these, 66 percent were between the ages of 26 - 39 years old.
- Marital Status:
  - 47 percent of the working campers were married.
  - 53 percent of the campers were either single, divorced or separated.

- 37 percent of the campers indicated that at least one family member, either spouse or child, was living with them at the camp.

- 71 percent of the campers indicated that they had children.

- 45 percent of those with children indicated that their children were living in another state or county.

- 53 percent of the campers had children enrolled in school either in Virginia or in another state.

- The school-age children living at the camp were enrolled in the following Fairfax Schools by the time this survey was taken: Potomac View, Fairview, Grace Lutheran, and Forest Edge.

Needs:

- The five critical needs identified most frequently by the campers were:

    1. Permanent Housing
    2. Food
    3. Dental Care
    4. Medical Care
    5. Employment/Transportation.

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Chairman MILLER. Mr. Bloch?

STATEMENT OF JOHN BLOCH, COORDINATOR OF LEARNING IN THE NORTH COUNTRY, LITTLETON, NH, AND ASSOCIATE PROFESSOR, SCHOOL OF HUMAN SERVICES, SPRINGFIELD COLLEGE, SPRINGFIELD, MA

Mr. BLOCH. Thank you very much.

I come today to you to share some sadness and I think a lot of the Committee is also concerned with this sadness. My sadness is that I sat in one of these committee rooms in 1967 and 1969. In 1967, it was in response to the Presidential Commission on the People Left Behind, which was then pulled out of circulation because it was too hot an item. It's in the Government Printing Office. You might want to get a copy and look at it.

Mr. Greenstein has brought up some very, very pertinent data and it updates the 1967 study. In 1954, Chet Huntley produced a wonderful film called "The People in the Land". The University of Kansas has free copies for people who want to look at it.

Basically our problem, Mr. Chairman, is that we view people in rural America as cheap labor, not terribly well organized, that can be exploited. I'm fascinated with the Heritage Foundation and the rest of the Republicans that I've dealt with in the Northeast that want to have tax credits. My parry/thrust to them is you have to have it first to get the credit. The folks I'm working with don't have it. Or to have a day care bill talking about $1,000 a year. That will buy you about eight weeks, if you're going to pay the day care providers a liveable wage to do that work.

We have a very, very serious problem in this country. I'm not sure that we really are concerned about national defense because we just spent $30 million on dolphins. We're going to give $100 billion to a group of men of questionable ethical and legal background in the S&L Program, with absolutely no requirement that they finance long-term, low interest home ownership mortgages in this country, which is the way the middle class got equity and got some working capital.

I hear in some of the testimony that was questioned, that we end up blaming the victims. What I do is I try to tell people they may have gotten a hole in their boot, but they're not bad people because they got the hole. Try to help them gain an education, gain a set of credentials that works in this society, only to find that too many of them cannot live on "the wage that is affordable out there in human services."

I'm fascinated that we have a wonderful health care system for members of Congress and the United States military and yet we can't figure out how to replicate that for the 37 odd million people in this country that are without coverage. It seems to work extraordinarily well because I haven't noticed the members of Congress willing to give it up. So, I assume it's working.

I also think that we need to look at some other capitalist countries, namely West Germany. Wall Street Journal, 4th of April, 1989. Less work, more leisure, higher productivity. Peter Drucker, moving work to where the people are, not the people to where the

work is. Extraordinarily high costs in moving people around. Also April 4, 1989 Wall Street Journal.

We look at Norway, a very rural country that has decided that there will be health care, there will be education through 16 years, there will be a transportation system so people can get the resource that are already provided for by the government.

I got one of the first rural transportation grants way back in 1968 and it was opposed by the bus company that didn't serve the areas that we proposed to serve. We still have a transportation problem in rural America, extraordinarily high costs. In the testimony I submitted to you, there is a family budget. Our vacancy rate is .03 percent. Anybody that knows anything about HUD studies on housing knows that .03 percent is a joke. .3 percent is the cutoff when there is any housing left. We're talking .03 percent in the northeast. There is no housing to be gotten at any cost. I'm sorry that my Congressman from Vermont is not here because I'm sure Peter also knows that, although Peter came from a very wealthy banking family, so maybe he never had that problem.

We have people that are living not only in trailers but in cars because they can't get a trailer hitch up because of discriminatory zoning and land use regulation.

What also has happened to the gentleman that asked, Mr. Durbin, I believe it was, about what happened in rural America that's changed since the 1930s. If you'll note that the Tugwell Program was one of community reinvestment, building infrastructure. We hear about highways and bridges. We have let our human infrastructure collapse on top of us.

But what's also happened in rural America is we now are a service industry to the basic—in the northeast, to the financial core out of New York, Boston and Montreal. We have ski areas, we have resorts. You work on a seasonal basis. You get, if you're lucky, $4 an hour. No health insurance, no benefits whatsoever. And you work split shifts, so that the children are left home alone. There is no day care. That is replicated time and time again.

The industry that is there, and I give you one example, a woman that is named S. Smith. She worked in a shoe factory for 12 years. She left, making $4 an hour. The factory was shut down and fled to Taiwan. She was eligible for job retraining. The geniuses in employment security decided she could make a very good worker in a box factory at $4.40 an hour. She was eligible for educational support. She got the educational support after an administrative hearing. She is now making $20,000 a year and supporting her family. For the first time, she has health coverage.

The other thing that's happened in the last 20 years——

Chairman MILLER. I'm going to ask you to sum up.

Mr. BLOCH. Yes. The other thing that's happened that's absolutely devastating to the working poor, is this Congress systematically has eroded the benefit package that paid for people to take post secondary education. They have destroyed the scholarship programs that used to be known as PELs. Basically now, working poor people cannot get anything that resembles assistance. If you go back 15 years, you will see a much higher level. We are spending less on a per capita basis for those people.

So, we are precluding them climbing out of the barrel of poverty and we're saying, "Pull yourself up by your bootstraps." Anybody that's ever tried to pull themselves up by their bootstraps will know it's a very interesting exercise in physics.

Thank you.

Chairman MILLER. Thank you.

[Prepared statement of John Bloch follows:]

PREPARED STATEMENT OF JOHN BLOCH, COORDINATOR OF LEARNING IN THE NORTH COUNTRY, LITTLETON, NH, AND ASSOCIATE PROFESSOR, SCHOOL OF HUMAN SERVICES, SPRINGFIELD COLLEGE, SPRINGFIELD, MA

As a staff member in the School of Human Services of Springfield College.I have worked in the field of human services and Community Economic Development for over twenty five years.

Currently I teach at both the undergraduate and graduate level in the areas of Human Service and Community Economic Development.In addition I coordinate the Rural education project known as Learning In The North Country for the School of Human Services.

It is in this latter capacity that I have come to know and understand the many obstacles which so many of our students face in pursuing their college credentials and balancing family and jobs demands.It is to these strong and resourceful people that I wish to speak of to this committee.

The students of the School of Human Services range in age from late twenties to late forties.Virtually all are employed full time. Enclosed are two pamphlets that set forth two of our programs.I encourage you to review them.

These students are caught in the two tiered economy that has developed since the 1960's.

What had been a region of small self sufficient business people and hard scrabble small hill farmers as well as a few local industries,has in the interviewing twenty five years become a service economy and a few large absentee owned business.These service industries serve the well heeled from Boston and New York and other urban areas.We hear a great

deal about the miracle of full employment in the Northeast,however we hear very little if anything about the underemployment that is an integral part of the service economy and large business that have relocated from urban America to avoid paying competitive wage rates.

In a society that holds that social and economic justice are the glue that allows for the effective operation of this country to have a two tiered society grow up in our midst is to see a extremely corrosive process take root that threatens us all.

One of the tell tale signs that a two tiered society is present in a community is to see the presence of underemployed.By underemployment, I do not necessarily mean that a workers skills are not being fully employed, though that may be the case.But rather that a worker can not provide for the essentials of life such as shelter,food,clothing,transport,health and the like on the wages derived from the employment that they are engaged in. So often in the Northeast we hear of the very low unemployment rates._I have found little if any reference by the state employment office to the issue of underemployment. .However in David T.Ellingwoods book titled Poor Support:Poverty In The American Family he gives consider attention to the fact that a ever increasing number of families who are employed full time can not beat their way out of poverty.

This concern by writers regarding economics is not new however, going back to 1776 a little read but much quoted writer by the name of Adam Smith in his , now famous or infamous depending on you political view,book titled An Inquiry Into the Wealth of Nations raises the issue of a adequate wage for workers and in summery noted that there ought to be a wage that allows the worker to provided for themselves ,shelter,food and cloths with a surplus after such provisions so that the worker might buy such other goods that are being produced in his area and provided for a strong and healthy economy.It sometimes seem strange how ideas keep coming back for reconsideration,and how the patron saint of the free market is ignored on this issue. Non the less the issue of underemployed is central to any discussion of how a two tiered society is constructed , it is also central to the issue of self reliance being the product of full time employment.

To note how a not untypical family of three look in the north county I have constructed this budget:The housing date comes from the state of New Hampshire office of planning,the other data is derived from my work among such families when the head of the household comes to us to enroll in the college.

We are assuming a work0m year of 2025 hours and a hourly wage of $6.25 that gross $12,656

Rent for a two bedroom home is $331 X12 plus $150 for heat and 60 for light =$6492 and for transportation add another $3000 a year to the budget fig.

While food adds $3024 and a clothing allowance of $300 as this as do many other families get a large quantity of cloths from local rummage sales for which they show a hour early for to get the best picking.the new budget total is $12,816 and we will add $460 for phones.Remember many of these families live three miles or more apart from one another with children getting home anywhere from three to four hours before the parent. thus we have a total family budget of $13,296.

And if the kids don't get sick.and the car holds together and the rest of the world is kind , then we only have a deficit of $640.That is a lot of ifs and most times these families don't make it.

You will notice that no provision has been made for health insurance so eyes don't get checked nor do the teeth.To say nothing of an annual medical exam for Mom.By the way New Hampshire has one of the highest rates of Cancer,the exact cause is not known at those time.

The reason that we did not budget for health insurance , even if the employer offers it on a cost sharing basis is that a modest family plan runs between $85 and 170 a month as the employee's share.

Having given you a thumb nail sketch as to what a small family budget looks like and the numbing feeling that there

is no way that such a family can make ends meet,let me note some promising events that are also taking place.

About eighty percent of our student body is made up of women and of this cohort about fifty percent are single head of house holds.We at the college did not set out to have a major part of our students come from single head of house holds,however as the nature of the economy has shifted from small self sufficient business to a mainly service industry we have also seen a shift in the number of households headed by one parent.

Upon completing their studies for a Bachelors degree in Human Services these woman realize on average a 23% increase in the wages if they are already gainfully employed in a Human Service program wether public or private.

But a second *andjust as important is the process by which these students have taken charge of their lives, whether it be getting a new job or dealing with family matters..They move from being passive to being proactive members of their community.

It is these changes from passive to proactive that we as an institution as proud of as well as the monetary.But we deal with a very small number of students when compared to the number of adults heading families that are trapped in the second tier.

Thus what is needed is a restoration of benefits that were present before congress slashed in the name of budget balancing,to this adult population.

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We need in fact to make the same commitment to head of families that we make to the army,($25,00) for college expenses after four years of service.

Are not our families and children as least as important as squads of army to the national defense of this country.

For what are we defending, if the children are neglected and the family is in tatters?

The second thing that we need to do as a nation is to say that all who work full time will not be allowed to stay in poverty nor will the needs of the children go unattended.

By full time I do not mean that those, who for many reasons, can not hold full time employment be exempted for this promise either

Thirdly we need to make a promise to all our elderly that as they cease being in the active labor market that their needs will not be neglected.

Now do not say we can not afford such, and that it is pie in the sky.For many Western Industrial nations have already done so and are enjoying a higher standard of living for the majority of their citizens than we do, and they have been doing so for the past twenty years.

Let me note here that it seems very strange to me that we tax for FICA only the first $ 42,000 of income.Another words we tax the vast majority of those who have little and tax very few of those who have a great deal for the FICA fund. Another words we tax the poor but not the rich.And if that

is progressive tax policy then we have a deep problem right here in river city.

The issue of access to programs that will lead to self sufficiency for familes is a central issue and one which needs the attention of this committee whether it be educational skill building programs or affordable home mortgages (Remember$ 100 billion for Savings and Loan and not one requirement that for this assistance they finance low and moderate housings).

In closing I hope that this committee after hearing myself and others will move in a speedy fashion to assist in meaningful ways those citizens and families as well as their children.For we at a crisis regarding the next generation.

Chairman MILLER. Mr. Holloway?

Mr. HOLLOWAY. Well, first, I wish there was something we could do to clear the record on Mr. Smith's part, since he's not here to make his own statement.

I listened, of course, with particular interest to Mr. Rector's testimony because I do believe it's the way to go. I'm not so sure Mr. Bloch understands how the earned income tax credit works if he thinks it does not go to the poor. When they're refundable, it sure goes to the poor. As a matter of fact, they get a tremendous gain.

Mr. Rector, would you basically answer that statement and give us your responses to how earned income tax credits do help the poor?

Mr. RECTOR. The earned income tax credit is available if the value of the credit exceeds the tax liability, the parent is eligible for cash assistance in the weekly paycheck. There are some technical problems in perfecting that and making sure that the families get that money on a regular basis, but I think that there's an overwhelming consensus on working those problems out and on using the earned income tax credit as a wage supplement mechanism.

Again, the important part of the earned income tax credit is different from other welfare programs. It's linked to the work effort of the parent. So, it rewards the parent's initiative. It rewards the positive efforts of a working parent instead of saying, as most welfare programs do, "If you don't work, we give you money. If you do work, we'll give you less or we'll give you nothing at all."

Mr. HOLLOWAY. I think the one statement that I wish to make, and I'll end with this, is the fact that long, too long we've encouraged people not to work. We've tried to do programs that strictly gave benefits to people who do not work. If you could only make minimum wage, why make minimum wage? It's more beneficial to stay home and draw welfare.

I think what we have to do in this 101st Congress is to give benefits, whether it be through child care, whether it be through earned income tax credits, whether it be through supplemental addition to the salaries. We've got to do things that encourage people to get out in the work force and we put them into the $7, $8, $9 per hour bracket without putting all the burden on small business in this country to where we lose the jobs in a rural area.

So, I appreciate your work very much on what you've done along that line and I hope that we can continue to work together to bring it to the forefront of the Congress and that we can pass some of these bills which will be helpful to put people back to work in America.

Thank you.

Mr. SARPALIUS. Mr. Chairman, I'm going to pass on my questions.

Chairman MILLER. Thank you.

I find it interesting that we have to create a policy of—and I support the earned income tax credit on Mr. Downey's bill, but I find it interesting that we have to create a policy of tax credits or incentives, if you will, to get people to go to work. I know we had to do that with the rich. We had to cut their taxes by 30 percent so they would stay in the workplace.

But at the same time this morning, we listened to people who are struggling every day to stay in the work place, who have traveled from Louisiana, from Mississippi and from West Virginia to come and live in a pickup so that they could earn money. I don't understand this notion. As I look at it, what we really have is a system—and I've asked G.A.O. to look at this, what the impact of the minimum wage is on the federal government—a system that pays low wages. You endorse that system and then the federal government comes in and socializes the cost of that system to everybody else in the country because some companies pay a minimum wage that is subpoverty, with no indication that they don't have the ability to pay a living wage. They just make a decision that that's all they're going to pay for that job and if they can get people, then that's simply what it is. We know these are not all mom and pop companies. These are all not marginal companies. I've had many, many, many exceedingly wealthy businessmen tell me that if their 15 employees go up another ten cents an hour, they're done. I just don't believe it.

As we know, in many instances, as Myssee, the first witness testified, we know how Mr. Grace has saved all of that money, because he has denied his employees not only a wage but disability benefits if he harms them in the workplace.

So, while I see the earned income tax credit as a way of putting additional resources into people's pockets, I'm deeply disturbed that it's an endorsement by the Congress of the United States of a substandard wage, because there's no other description for that situation. I also find it interesting that conservatives are so quick to reach into the taxpayers pocket to make up for the simple lack of desire of an employer to pay a living wage. But I guess that's kind of where this Congress has arrived because it cannot convince itself that poor people work hard. It's just simply something that—I don't know whether Ronald Reagan drummed it into the heads of the Congress or the public or what have you.

But one thing I've learned as the Chair of this Committee is that people who are members of the working poor class in this country show a hell of a lot more courage than most people I associate with day to day in terms of trying to keep their families together and trying to provide for their families and working against odds that would exhaust most members of Congress, I'm sure, before the week was out. Most of those things that we consider inconveniences are job threatening or life threatening or family threatening to the working poor.

Now, to find out that at least to have it documented—I think we've known it for some time on this Committee, that rural America looks a lot like inner city America, maybe some of those people who have been so stingy with the help to people in trouble will now see that it's now their constituents who also that share this concern.

I want to thank all of you for your testimony, all of the witnesses this morning and again, my apologies for the abbreviated nature of the end of this hearing. But it's something I had no control over.

This is a problem that we plan to continue to look at because, obviously, if Mr. Greenstein's report is correct, it's not going to go away anywhere in the near future. Mr. Durbin is on the Budget

Committee, as is Mrs. Boxer, who's a member of this committee, and they're struggling very hard to deal with the Head Start and the W.I.C. Programs and Community Development Block Grants to see whether or not we can salvage those, as long as Congress continues this sort of mindless cutting of assets.

I sit here today and am very thankful that my grandparents and my parents were willing to invest in my future, that one generation handed it off to another and now I see a generation that is so unwilling to make any kind of investment in its children or its grandchildren. It's the same nation that says that they want to compete with the West Germans and the Japanese and yet we see that both of those societies spend more on social services as a percentage of their G.N.P. than we do but somehow we can't afford it. We might want to rethink the premise here of why we're losing that battle.

But thank you very much. You've been very helpful in building this record. One of the things we've tried to do is to disseminate this information across the Congress so as people start to make decisions during the legislative year, they may think about some of these things a little bit differently.

Thank you very much.

[Whereupon, at 12:45 p.m., the select committee adjourned.]

[Material submitted for inclusion in the record follows:]

U.S. House of Representatives
SELECT COMMITTEE ON
CHILDREN, YOUTH, AND FAMILIES
385 House Office Building Annex 2
Washington, DC 20515

April 13, 1989

Mr. Robert Greenstein, Director
Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, DC 20002

Dear Mr. Greenstein:

Thank you for your participation in our hearing, "Working Families at the Margins: The Uncertain Future of America's Small Towns," earlier this week.

In an effort to conserve time, Representative James Walsh of New York asked that witnesses be permitted to respond in writing to questions. The following are the questions he has directed to you:

1. What is the rural poverty rate after you count the value of the various cash and noncash benefits?

2. What percentage of those below poverty level have at least 4 years of high school education?

3. What percentage of rural families are in poverty because the father does not provide child support?

4. What percentage of rural families earn only minimum wage?

5. You pointed out that conditions in 1987 are similar to 1978 with nearly identical unemployment rates at 6.2 percent and 6.1 percent. First, let me point out that I believe the current unemployment rate is now 5.1 percent. Second, the inflation rate in 1978 stood at 7.7 percent and was on the rise to 11.3 percent in 1979, robbing the working poor of their purchasing power. In 1978, the U.S. unemployment rate was higher than France, West Germany, Italy and roughly the same as the United Kingdom. The U.S. rate is now lower than all of these countries. We must be doing something right. Isn't rural America sharing in the recovery?

6. What do you mean, the "poverty rates...currently stand at unusually high levels for this stage of an economic recovery?" Which earlier recoveries are you using for comparison?

We would appreciate your forwarding the answers to these questions to the committee as soon as possible so that they may be included in the printed record of the hearing.

Once again, thanks for your appearance before the committee.

Sincerely,

GEORGE MILLER
Chairman
Select Committee on Children,
Youth, and Families

CC: Hon. Thomas J. Bliley, Jr.
Hon. James T. Walsh

MAY [illegible]

CENTER ON BUDGET AND POLICY PRIORITIES

236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
202-544-0591

Robert Greenstein
Director

April 26, 1989

Hon. George Miller, Chairman
Select Committee on Children, Youth,
and Families
U.S. House of Representatives
385 House Office Building Annex 2
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of April 13, containing questions from Representative Walsh on my testimony at the hearing on April 11. The following are my responses to the questions:

1. The official Census Bureau poverty rate of 16.9 percent for rural areas in 1987 includes the value of all benefits which are received in cash. If noncash benefits are included, the Census Bureau estimates that the rural poverty rate ranges from 15.6 percent to 10.8 percent, depending on the method used to value the noncash benefits.

   It should be noted that the lowest estimates in this range are based on a method of valuing medical benefits about which there is considerable controversy. In its report *Estimates of Poverty Including the Value of Noncash Benefits: 1987*, (Technical Paper 58), the Census Bureau reports that "most participants at the noncash conference [of experts convened by the Census Bureau in 1985] agreed that poverty thresholds would have to be changed if the value of medical care were to be included in the income definition." Under the noncash measure of poverty that produces the lowest poverty rate, such a high value is given to Medicare and Medicaid coverage that in the average state, all elderly couples enrolled in both these programs are automatically considered to be above the poverty level, regardless of whether they have any cash income on which to live.

2. Census Bureau data on educational attainment for rural residents are published only for heads of families. According to these data, 51.6 percent of persons (25 years of age or older) heading poor families in rural areas had graduated from high school in 1987. It should be noted that this is a higher percentage of high school graduates than among the heads of poor families in urban areas (where 47.8 percent had graduated from high school) or among the heads of poor families in central city areas (where 45.4 percent were high school graduates).

3. The published data available from the Census Bureau are not sufficiently detailed to determine the percentage of rural families living in poverty because the father does not provide child support. However, the data do provide a partial answer to the question. Of all persons living in poverty in rural areas, only a minority (30.7 percent in 1987) were living in families headed by single woman. Not all of these are women living with minor children. The Census Bureau reports that in 1985, 776,000 rural poor women headed families without a husband present, and in that same year, there were 631,000 rural poor women who had children under the age of 21 and who were not living with the father of those children. (Not all of the women with minor children were heading families on their own.)

   Of all rural poor women living in poverty who had children under the age of 21 and who were not living with the father of those children, 51.7 percent had been awarded or had made agreements to receive child support in 1985. The remaining 48.3 percent had no awards or agreements.

   Of those rural poor women who were supposed to receive child support payments in 1985, 46.1 percent received the full payment, 18.1 percent received partial payments, and 36.2 percent received no payment.

   These data provide information on the proportion of rural women with children living in poverty who are entitled to but are not receiving child support payments, but the data do not tell us the proportion of these women who would not have been poor had they received all the child support payments to which the children were entitled. For some of these families, even the additional child support payments would not have raised them above the poverty level.

4. Published Labor Department data do not indicate what percentage of rural families earn only the minimum wage. The Department may be able to provide unpublished data, if the Committee requests it. Center staff are currently in contact with other researchers who may be able to provide this data in the next month or two. Presumably, the data will indicate that a disproportionately large percentage of rural workers earn at or near the minimum wage.

5. Rural America is sharing in the economic recovery, but not to the same degree as urban America. First, the unemployment rate has dropped in rural areas, but not as quickly as in urban areas.

   - The nonmetro unemployment rate equaled 6.2 percent in 1988, its lowest level since it equaled 5.7 percent in 1979. It should be noted, however, that the unemployment rate in 1988 was still higher than the rate in 1979, which for the nation was the equivalent stage of the previous economic recovery.

   Furthermore, although the nonmetro unemployment rate was often lower than the metro unemployment rate in the 1970s, it now is significantly higher than the metro unemployment rate.

- Throughout the 1970s (with data available back to 1973), the nonmetro unemployment rate was lower than the metro unemployment rate. From 1973 to 1979, the nonmetro unemployment rate averaged 6.1 percent, compared to an average metro unemployment rate of 6.7 percent.

- Starting in 1976, however, the gap between the metro and nonmetro unemployment rates began to narrow.

- In every year since 1980, the nonmetro unemployment rate has exceeded the metro rate. By 1986, the nonmetro rate of 8.3 percent was more than one-quarter larger than the metro rate of 6.6 percent.

Data from 1987 and 1988 have shown some relative improvement in nonmetro areas. During this period, the nonmetro unemployment rate dropped at a faster pace than the metro rate. Nonetheless, the nonmetro unemployment rate continues to exceed the metro rate.

- The nonmetro unemployment rate dropped from 8.3 percent in 1986 to 6.2 percent in 1988.

- The metro unemployment rate dropped by a lesser amount during this period -- from 6.6 percent in 1986 to 5.3 percent in 1988 -- but remains nearly one percentage point below the nonmetro rate.

It should be noted that the unemployment problems of nonmetropolitan workers are larger than those that would appear simply by looking at the data on unemployment rates. Because the official unemployment rate does not include either "discouraged" or "involuntarily part-time" workers, it understates the extent of unemployment. This understatement is especially large in nonmetro areas. Nonmetro areas contain disproportionately large numbers of both discouraged workers and involuntary part-time workers. Poverty rates are likely to be high among both category of workers.

In my testimony, I noted a second reason why rural workers have not benefited fully from the economic recovery. Wage and earnings levels are considerably lower in rural than in urban areas, and the earnings gap increased over the most recent economic cycle.

6. My testimony compared data from 1987, a year in which the economy was recovering from the recession of 1981-82, to data from 1978, which was a comparable stage in the recovery from the recession of 1974-75. We know that these two years were at comparable stages of economic recovery because the national unemployment rates were nearly identical in these two years. In spite of the comparable unemployment rates, the poverty rate was substantially higher in 1987 than in 1978 -- 13.5 percent compared to 11.4 percent. The rural poverty rate was also higher -- 16.9 percent in 1987 compared to 13.5 percent in 1978.

If we can provide any additional information, please let me know. I appreciate the opportunity to testify before the Committee.

Sincerely,

Robert Greenstein
Director

U.S. House of Representatives
SELECT COMMITTEE ON
CHILDREN, YOUTH, AND FAMILIES
385 House Office Building Annex 2
Washington, DC 20515

April 13, 1989

David N. Sundwall, M.D.
American Healthcare Systems Institute
1919 Pennsylvania Avenue, N.W., Suite 203
Washington, DC 20006

Dear Dr. Sundwall:

Thank you for your participation in our hearing, "Working Families at the Margins: The Uncertain Future of America's Small Towns," earlier this week.

In an effort to conserve time, Representative James Walsh of New York asked that witnesses be permitted to respond in writing to questions. The following is the question he has directed to you:

1. How can we facilitate coordination of services among agencies that serve the same population? I understand that simply mandating coordination is not enough.

We would appreciate your forwarding the answer to this question to the committee as soon as possible so that it may be included in the printed record of the hearing.

Once again, thanks for your appearance before the committee.

Sincerely,

GEORGE MILLER
Chairman
Select Committee on Children,
Youth, and Families

CC: Hon. Thomas J. Bliley, Jr.
Hon. James T. Walsh

Affiliated with American Healthcare Systems

James L. Scott
President

May 1, 1989

The Honorable George Miller
Chairman
Select Committee on Children,
Youth, and Families
385 House Office Building Annex 2
Washington, DC 20515

Dear Congressman Miller:

Thank you for giving me an opportunity to testify at your hearing, "Working Families at the Margins: the Uncertain Future of America's Small Towns." Enclosed you will find my edited copy of the transcript of my testimony. I hope this is provided in time to be included in the printed hearing record.

You have asked that I provide an answer to the following question, "How can we facilitate coordination of services among agencies that serve the same population? I understand that simply mandating coordination is not enough." As I indicated in my oral testimony, I believe that it should be a "term of condition of participation" in the federally funded block grants for Preventive Medicine and Health Promotion, Alcohol Drug Abuse and Mental Health, and Maternal and Child Health. In my experience as Administrator of the Health Resources and Services Administration, I had ample opportunity to visit several sites in rural and urban areas where primary health care was being provided for needy citizens. I was often amazed at the "patch work quilt" of funding these places had pieced together. Often times, one funding agency was unaware of contributions made by another branch of government, be it state or federal. In an effort to correct this, we established contractual agreements with primary care organizations in 33 states. These agreements required that all health related services be coordinated for each particular site, and it seemed to be working. However, these "contracts" are still an option, and many states do not invest much effort, let alone money, in coordinating services for the poor. It seems to me that in spite of your reluctance to "simply mandate," that if it were required that states demonstrate both capacity and serious intent to coordinate services for medically underserved, and particularly for women and children entitled to current public assistance programs (maternal and child health care, the W.I.C. program, AFDC,

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etc.), that such coordination would indeed happen. Some states have done an outstanding job and could be a source of great assistance to those states who have yet to "get their act together."

I hope this information is useful to you. Please do not hesitate to call on me if I can provide further assistance to your or your staff.

Respectfully yours,

David N. Sundwall, M.D.
Vice President and Medical Director

cc: Thomas J. Bliley, Jr.

PREPARED STATEMENT OF SHARON A. ROBERSON, WAYNESBORO, GA

My name is Sharon A. Roberson. I'm 33 years of age, married and have 2 children, ages 12 and 14.

I live in the south Georgia town of Waynesboro, where I've lived all my life.

I used to work at Samsons Manufacturing in Waynesboro, a drapery manufacturing company that is owned by the S. Lichtenberg company. I am a fast sewer so I earned about $ 5.90 an hour on production, hemming draperies.

I worked at Samsons for 4 years, until I was recently terminated for what management said was lack of work. I had been very active in efforts to build a union at Samsons and I believe that I was really terminated because of my union activity. Since that time many white workers have been hired to do work that I could be doing, so I think I was discriminated against because of my race (black) as well. In March I got a job at a lawn furniture factory, in Waynesboro, where I earn $3.35 an hour.

I had worked at Samsons before, in 1977. I had to quit at that time because I had a newborn baby and the fiberglas draperies I was working with gave me a skin rash which spread to my baby. I had worked in a factory before that time, too. Beginning in the 10th grade I worked summers in a factory. After I finished high school I worked full time in a factory for 8 years.

I worked summers during high school in order to help my parents financially because they were striving to raise 6 children. My father had been a sharecropper with another man and it proved not to be in his best interest.

In 1975 I was married. My husband had a job at night, then they closed down and left him trying to do odd jobs, like helping people paint houses or get wood. We had rented a house that a preacher had moved out of. I worked at Burke Manufacturing, a factory that didn't pay really well. Paying car fare and a baby sitter was just about all I could do with my check.

Then I made the move to the Lichtenberg plant to try to better myself and my family. This company had just about the same reputation as Burke Manufacturing, but Samsons paid a little bit better on production jobs. There was always the thought or dream that we would get ahead.

By this time my husband had gotten a good job that started off okay but eventually began to fall short in a lot of ways. They cut hours or had lay offs when they shut down his department for a week. So we began holding on to every penny because it looked like we were never going to get a break.

Since he started working 14 years ago, my husband has worked every day, sick or not sick. He never missed a day from work, but he has not profited from working at all. As of today he has sacrificed owning one new pair of pants in order to be able to keep our bills up. He has always tried to be on time with every bill we've had. But today it's totally impossible and it's a truly hurting thing. These nights, every night we go to bed with a burden on our chest. Oh God, how will we make it?

We could never afford our own home. Once we went to the bank to get a loan and were turned down. We were told by the bank president that it would be a good idea to stay with our parents.

Where do we go when no one wants to give us a chance? We saved what we could and paid $50.00 a week, or every two weeks, so we could buy a mobile home. We wanted something decent to stay in. We had a promisory note drawn up owing the rest of the money. At first, water was a big problem. We couldn't afford to drill a well--and still can't. For a while we carried water in a barrel and jugs for drinking. Now we rent water for $15.00 a month from our neighbors. Back in 1975 lights were also a problem for us because we just couldn't afford electricity.

We feel as though we could contribute so much if somebody, somewhere, would just give us an opportunity.

It's just about impossible for a working couple to make it in this town. My husband and I were unable to receive government support although we reported nothing but the truth. Around me are conditions that show that working people who want to do the honest thing are the ones who have the biggest struggle. The conditions here are as poverty stricken as in the city. Only in the country we're not in clusters.

Waynesboro is a majority-black town that is dominated by the white structure that cares not to help blacks get ahead. This county (Burke County) has 10,000 people, but the majority of the people are just striving for what little paycheck they get week to week to make ends meet.

I have 2 children who I see want to be somebody and make something out of their lives. But it is a hurting thing to have to say just about all the time, "I can't because we just don't have the money." They have so little to choose from and to have to say no when they want to go on a school trip or to participate in recreational sports is heart shuddering. We don't have the money to provide insurance coverage in case of an accident. What

little insurance we do have always seems to find excuses not to pay. Instead of joy in our home we have a lot more pressure headaches and day by day we have constant pain.

I don't mind working and neither does my husband. But we would like to think that what we're giving up our lives to every day would at least make for a decent living. We would be proud to work for a company that gave us a decent wage.

I have friends who have health problems, who can't afford a ddecent home, whose children have health problems. These people are clean and honest souls. My friend May Etta Wright is married and has 4 small children. When she was injured on the job she received no justice when undergoing surgery. Six weeks later she was still having problems with her arms and hands from the repetitive motion work we did at Samsons.

There are many needs in our community. We need a system that provides everyone with opportunity. We need better education. We need companies that pay for our labor so we can make a decent living. I was making $5.90 on production when I was working at Samsons. Now at Keller, the furniture factory, I make $90.00 a week--after driving 14 miles each way to work. My husband makes on average $7.00 an hour at Castleberry Food Company. He's been cut down to 30 hours a week--and then they have a week-long lay-offs every now and then.

Through our union (the Amalgamated Clothing and Textile Workers Union) efforts at Samsons, we have begun to look at how we can solve some of these problems. We've started safety and health committees to solve health problems. We've called OSHA inspectors into the plant--they just fined our company over $33,000 for violating health standards. We've started a community action committee that looks at the problems we face with poor sanitary conditions, pot holes, no fire hydrants, in our communities. For the first time in my life, I see that it is possible to solve these problems with lots of determination and hard work.

I hope that my story has given you some understanding of the difficulties we face, striving to make a living and raise our children here in Waynesboro, Georgia.

PREPARED STATEMENT OF JANET M. FITCHEN, ASSOCIATE PROFESSOR, ANTHROPOLOGY, ITHACA COLLEGE, ITHACA, NY

I want to share some preliminary observations about rural poverty, based on community research I'm presently conducting in New York state. I'll begin by emphasizing that rural poverty in New York state in the late 1980s is a paradox: rural poverty existing in a state that has a dynamic and diverse economy, and has recently seen economic recovery and expansion in its metropolitan centers; rural poverty despite the state's record of creating and funding strong educational and social programs; rural poverty unconnected to racism or ethnic barriers; non-farm rural poverty that is not closely tied to agricultural problems; and rural poverty that persists despite a significant recent reduction in the age-old problem of rural unemployment. The paradox is that rural poverty exists at all in this state, and that it is growing worse. If rural poverty is a serious problem in New York, how much worse might it be in other states?

In New York state, as in the nation, indicators of economic well-being showed a marked disparity between metropolitan and rural areas in 1980, with rural areas falling farther behind since then. The 1980 poverty rates in the most rural counties of New York averaged 16%, compared to the national poverty rate of 13.%. Since then, poverty rates rose steeply in rural New York, following the national trend, and then fell, but only down to 1980 levels. Of the state's 62 counties, 22 have poverty rates above the national level, and 20 of these are rural counties. In general, the more rural, the poorer.

The most rural counties all rank low in per-capita income. One rural county in my study, has the lowest income level in the state; and here per-capita income actually declined from 1979 to 1985, (in adjusted dollars) while statewide it grew by 5.6%. Twenty percent of the county population receives some form of Social Services assistance each month, and the county has the

highest rate in the state of Home Relief assistance. Two of the county's townships had a 1985 per-capita income less than 50% of state level. In several townships, more than 10% of residents live on incomes below 75% of the poverty line. These intra-county disparities, found in a county that is poor overall, indicate that some rural people and communities are very poor indeed.

Rural poverty is also a problem in some counties that, as a whole, are neither very rural nor very poor. Three counties within my study each boast a reasonably healthy urban center, but contain some very rural townships where poverty is endemic, such as one rural township where 54% of households fall within HUD guidelines for federal low-income home improvement grants.

THE DYNAMICS OF RURAL IMPOVERIZATION ARE COMPLEX

These trends and statistics take on an added sense of human reality and urgency when we examine data obtained through field research among actual people and communities. From research in a dozen of New York's rural counties, I can tentatively identify three factors that appear to be interacting to perpetuate existing poverty and to produce more poverty.

1. The rural employment situation is still problematic

Working rural people are increasingly at risk of being poor.

In the last few years, rural unemployment has decreased markedly, and with that decrease has come a drop in AFDC cases. But, significantly, there has been no corresponding drop in poverty rates, and in some areas an increase. The persistence and growth of poverty is mostly among people who are working; and the reason for their poverty lies in the nature of the jobs they hold.

Entry-level jobs in rural communities are mostly near minimum wage, provide no health benefits, are part-time, and often temporary. Many of the available jobs are only suitable as a second income in a family, and may even be advertised as such; but many of the people seeking jobs need to provide the primary family income. Consider the case of one young mother living in a

trailer park, who is sole provider for herself and her child. The Welfare department urged her to get a job, and she herself wanted desperately to get off welfare. The only job she could get was a 30-hour a week job in a grocery store in town, at $3.75 an hour, which leaves her well below the poverty level. She interviewed at a fast-food restaurant for a second part-time job, but found it impossible to combine the shifts of two jobs. Besides, she still would not have had health benefits. She worries that her child care costs will soon go up because her girlfriend, who is babysitting in exchange for rides to town and a little cash, may soon take a job too. She can retain Medicaid and partial public assistance for a while, but when that runs out she expects to be much worse off than she was before she took a job. However, if she were to quit her job, she would be "sanctioned" by the welfare department, requiring her to wait thirty days before applying again for any benefits.

Recent factory closings have thrown many blue collar workers into poverty. Workers who started years ago, without finishing high school, had moved up over the years to a point where they were earning $8 dollars an hour. Now, a displaced line worker may remain unemployed for a year or more, and then, in desperation, take a low paid service sector job or a job in a new plant that pays only $4 an hour. In small towns with few jobs, this calamity may hit both a husband and wife.

Some people cannot get jobs, even in a time of low unemployment.

The high rural unemployment of the past decade took its toll on a whole cohort of young people who grew up into joblessness in the late '70s and early '80s. In a tight job market, these marginally educated young people from the rural pockets of poverty were not wanted; and they became even less wanted as their years out of the labor force increased. Young women sank into a life of AFDC for themselves and their children; men became chronic Home Relief cases, picking up only minor informal employment with relatives and friends. Despite the recent drop in unemployment, these young adults are still unwanted, and often considered "unemployable". (Some excellent job-readiness classes attempt to help them overcome barriers to employment; but it is a tremendous task, and no matter how well done, it cannot lift people out of poverty if the jobs to which they graduate pay them no more than poverty wages.)

2. The rural housing situation is becoming worse

Substandard housing in rural areas continues to be a problem.

Much of the housing in the open-country pockets of poverty consists of worn down farmhouses, tar paper shacks, old trailers and converted school busses. Much of it is still sub-standard, structurally unsound, or lacking adequate wiring and plumbing. Small-town housing may not be much better. In several instances, where vacant houses and store buildings on main street have been converted into low-rent apartments, they probably could not meet code if there were inspections. In some of the burgeoning trailer parks and the new trailer clusters along back roads, water and sewer systems are unable to meet increased demands or local health codes.

Poor rural people have always had to put up with poor quality housing because they could afford no better; and many prefer to sacrifice quality of housing as a way to minimize cash expenses and, if possible, remain independent of welfare. But the quality has now deteriorated further.

Rural housing costs are rising.

However inadequate, rural housing is also becoming more expensive, largely due to greater competition among an increasing number of poor people for a decreasing number of low-cost homes.

In some open-country areas, rural gentrification has reduced the number of inexpensive older houses available for local people, while stricter land-use regulations, trailer ordinances, and state housing codes mean that local low-income families can no longer use their traditional strategies to provide cheap make-shift housing for themselves. For example, a couple living in an old farmhouse may now be prohibited from building a used-lumber addition to it or bringing in a third trailer as a temporary home for a grown daughter just separated from her husband.

In many small towns, surplus housing stock resulting from outmigration has traditionally provided low-cost rural housing. As houses and stores become vacant, many are carved up into apartments, perhaps substandard in quality --but cheap to rent. Recently, demand for these apartments has grown, as urban people of limited income, forced out of cities by escalating rents

there, seek the lower rents, better schools, and safer living of small towns. Additionally, more young adults from the open country pockets of poverty are now moving into nearby villages. With more competition among low-income tenants, rents in small towns are now rising significantly.

Increasingly the rural poor are renters rather than owners of their housing.

In the past, many rural poor people had the security and limited cash expense of owning a place to live, or having parents who owned a place, even if it was just a crumbling house or a tar-paper shack. But this security is increasingly being replaced by the precariousness of tenancy, since people are no longer so free to put their own trailers or shacks on their relatives' property. Besides, fewer poor people in rural areas today have land or relatives with land.

The problem with renting is not only that rent payments take up so much income, but that they require a cash outlay on a regular basis. Many of the tenants, particularly in trailer parks and in the apartments in small towns, are women, single heads of households trying to get by on their minimum-wage salary. Because they often fall behind in paying rent, they are often evicted. If they can find another place, they face a large up-front cash cost in deposits. For single mothers, the rent burden is often the reason they are unable to make it on their own, the expense that sends them to welfare, keeps them on welfare, or makes them return to it . The alternative, so often, is to move into the apartment of a boyfriend --and into another pregnancy.

3. Geographic mobility of rural poor people is high and increasing.

The housing situation, not only a problem in itself, appears to contribute to a noticeable increase in residential mobility of rural poor people. One young single mother had moved seven times in one year since she and her baby had fled from a violent boyfriend, staying temporarily with several different relatives in already overcrowded housing, moving into a condemned building, then living with her girlfriend until the welfare department ruled that out, and eventually ending up in a roadside cluster of trailers rented to women on public assistance.

In general, young adults (both single and married) are the most mobile, for they are the ones dealing with the most difficult situations of poverty and stress, trying to support themselves and their children on meager employment or inadequate welfare. For the increasing number of single mothers, the frequent moves appear to be part of a pattern of "shopping around" for a better life situation, for better or cheaper housing, for a possible job or a better job, for a better place to raise the kids, or a better boyfriend. A family's mobility may become even greater as time goes on because the absence of strong ties to place, to people, to a home, to a good job, and to local institutions gives people less reason than ever to stay put.

For the children, this increased mobility breeds a life of shallow roots, limited trust, and constant uncertainty. Young children experience many moves before they even enter school. Head Start and elementary school personnel report that the greatly increased mobility they see in recent years is causing problems not only for the children, but also for the schools.

CONCLUSIONS

My earlier ethnographic study of rural poverty indicated that once poverty takes hold of people and communities, it tends to become entrenched (Fitchen, 1981). Today we still have rural poor people descended from families that fell into poverty in upstate New York back in the 1920s and '30s. Now, in addition, we are seeing people in rural areas who were not previously poor fall into poverty because they earn too little, they can't afford decent housing, and the pressures of their lives push them into insecure, temporary living arrangements.

Unless the jobs rural people work at and the homes they live in can provide a better life for them, they and their children, and their children's children will be trapped in poverty for some time to come. But families and children also need healthy communities; and without effective rural development assistance, these communities, too, will spiral downward.

REFERENCE: Fitchen, J. Poverty in Rural America: A Case Study. Boulder: Westview Press, 1981.

STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27611

JAMES G. MARTIN
GOVERNOR

April 24, 1989

The Honorable George Miller
Select Committee on Children, Youth, and
Families
H2-385, HOB Annex 2
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is in reference to your recent hearing, "Working Families at the Margins: The Uncertain Future of America's Small Towns," held April 11, 1989. I commend you for your devotion to healthy American families, be they in Chicago, Illinois or Rocky Mount, North Carolina. This hearing is certainly pertinent as Congress begins consideration of a rural development bill and continues in its efforts to improve the quality of life for low-income families.

However, there is one point that I feel needs clarification on the basis of principle. Mrs. Mysaee Green of Bethel, North Carolina was one of the witnesses to testify at this particular hearing. For the record, I would like to submit the following.

According to Pitt County records, the county in which she and her family live, neither she nor her husband have requested by application assistance from the county or state. I understand Mrs. Green may have phoned social services requesting assistance. However, I am sure it was explained to her that she needs to fill out a detailed application, signing her name, in order that the county could carefully consider her particular circumstances.

Immediately following the deliverance of her testimony, my office and her Congressman's office contacted her by phone and in writing and asked her to get in contact with them for further help. To date, we have not heard a response from her. I am hopeful that she will call the toll-free number in Raleigh so that we may tell her about such successful programs as Baby Love, AFDC-disabled parent, Medicaid, Low-Income Energy Assistance, and Children's Special Health Services.

Sincerely,

David T. Flaherty
Secretary, Department
of Human Resources

PREPARED STATEMENT OF GARY L. BAUER, PRESIDENT, FAMILY RESEARCH COUNCIL

MR. CHAIRMAN, I want to thank you for giving me the opportunity to submit written testimony to your committee about the financial pressures facing poor, rural families with dependent children, and I want to applaud your committee's interest in focusing on the unique needs of these families.

As you no doubt understand, poor people are not a monolithic group. Indeed, the differences between urban poor families and rural poor families are quite profound.

For example, poor people living in rural settings or in small towns are more likely to work and more likely to be married than inner-city poor people. Moreover, the rural poor are less likely to use government welfare services than are the urban poor. Part of the reason for this is logistical -- access to services is often limited in areas with low population density. But a bigger factor is that rural poor families have a strong preference for using extended family members and community neighborhood networks to meet child care and other family needs. Apparently, little consideration has been given to this fact in the current debate over Federal child care policy.

MR. CHAIRMAN, I am convinced that the economic needs of rural poor families can be addressed more equitably and efficiently through tax code revisions than through new government spending programs. Indeed, apart from making benefits more accessible to rural families, tax-oriented measures have the benefit of promoting work and economic self-sufficiency rather than dependence on government programs.

The Earned Income Tax Credit (EITC) offers an excellent example of how the tax code can be used to help working poor families become self sufficient. By reducing the income and payroll tax liability of low-income families with children, the EITC allows poor families to keep more of the money they earn. And since the EITC gives families greater control of their earnings, it serves as an excellent model for new tax credit initiatives that aid families with dependent children.

Along these lines, I would encourage the Congress to examine closely two bills -- one offered by Congressman Thomas Petri and the other sponsored by Congressmen Clyde Holloway and Dick Schulze -- which create a new refundable tax credit, tied to family income, for parents of young children.

Both of these bills improve upon the existing EITC by targeting assistance based on the age and number of dependent children. And both of these bills offer the greatest benefits to families with preschool children since these families typically face higher child care costs than families with school-age children.

Moreover, the Petri and Holloway-Schulze Bills stipulate that new credits for families with young children replace the current Dependent Care Tax Credit. This is appropriate since the existing Dependent Care Tax Credit is such a boon to the rich. More than two-thirds of the Dependent Care Tax Credit's benefits are extended to families with earnings above the median income, and the greatest beneficiaries are the super-rich. In 1985, the average tax benefit for a family earning less than $10,000 was $247. In the same year, families with incomes of $200,000 or more enjoyed an average tax benefit of $922.

While some have proposed changes in the current Dependent Care Tax Credit to make it less regressive, there is a second (and, in many ways, more serious) problem that the existing credit presents.

Under current law, the Dependent Care Tax Credit penalizes parenting. By tying tax benefits to day care expenses, the current dependent care credit perversely rewards parents for not spending time with their children.

Generally, the more time a child spends in substitute care, the greater the family's day care expenses. And the greater the day care expenses, the higher the family's tax credit.

Thus, the current Dependent Care Tax Credit discourages parent-child interaction by increasing the "opportunity cost" (in foregone after-tax earnings) that parents pay to spend time with their children. Essentially, the credit redistributes income from families that make little or no use of paid day care to those that make extensive use of such services.

Not only does this penalize families in which one parent stays home full-time to care for children, but it also shortchanges two-income and single-parent families that seek to minimize their use of substitute care by working part-time, working different shifts, working from home, or having a grandparent or other relative care for their children. Accordingly, many poor rural families currently receive no benefit at all from the Dependent Care Tax Credit because their children are cared for by family members.

To give you an idea of how the "parenting penalty" works, consider the case of Mrs. Jones and Mrs. Smith, two pregnant women who have husbands who earn $26,000 a year.

After her child is born, Mrs. Jones decides she will return to her $12,000 a year job immediately. Conversely, Mrs. Smith decides to take at least a year off to be home with her baby.

When April rolls around and Mrs. Jones prepares her family's taxes, she discovers that she can claim a $480 tax credit for day care expenses incurred while she and her husband were working.

No such credit is extended to the Smiths. Indeed, the taxes they pay help subsidize the day care expenses incurred by their wealthier neighbors.

Thus, not only do the Joneses have a significantly higher income than the Smiths, but they also have twice the tax-free employee benefits. And thanks to the Dependent Care Tax Credit, the Joneses now have a *lower* marginal tax rate than their poorer neighbors.

Some have attempted to defend this "parenting penalty" by asserting that paid child care is a necessary precondition to employment. "When the second parent or a single parent takes a job, [paid] child care is as mandatory to value does for a Tommie or gasoline for a cabby," argues the Philadelphia Inquirer in a recent editorial.

But this is not necessarily true. According to a recent Census Bureau survey of child care arrangements, half of all preschool children with employed mothers are primarily cared for outside the paid day care market. Some are cared for by grandparents or other relatives. Others have "tag team parents" who work different shifts and trade off caretaking responsibilities. Still others have "double-time mothers" who hold jobs which allow them to care for their children while they earn income.

Supporters of the current Dependent Care Tax Credit are quick to point out that all employed parents do not have flexible work arrangements and extended family networks which permit them to minimize their use of paid child care. While this is true (and lamentable), it serves as no justification for tying tax credits to day care expenses. Indeed, doing so only penalizes families that make financial sacrifices to care for their own children and undermines efforts to develop more flexible work arrangements for employed parents.

Since the Dependent Care Tax Credit cannot be credibly defended by arguing that paid day care is a necessary precondition to employment, supporters of the current credit often turn to a second argument to *justify* linking tax benefits to day care expenses. They argue that families that make extensive use of paid child care are deserving of special tax benefits since they use their after-tax earnings to pay for child care while families that primarily care for their own children (receive) their child care "free."

Not only does this reasoning overlook the significant "opportunity cost" (in foregone wages) that families pay to care for their own children, but it implies that people who hire housekeepers, butlers, gardeners, interior decorators, and chauffeurs are also deserving of special tax breaks since they use their after-tax earnings to purchase services that other people provide "free" for themselves.

Of course, most defenders of the current Dependent Care Tax Credit see a big difference between giving families a tax break for child care expenses and giving people a write-off for hiring a chauffeur. Caring for children is, after all, an investment in our nation's economic and cultural future.

Here, dependent care credit proponents are right. Caring for children is of far greater social value than hiring a butler, buying a poodle, or making some other discretionary expense. It is an investment in our future. But if the justification for the current Dependent Care Tax Credit is based upon the fact that child care is an investment rather than a discretionary expense, there is no reason why this tax credit should be denied to those families that invest in children outside the paid day care market.

An investment is an investment whether it is paid in time or paid in money. Indeed, most child development experts would argue that the investment of parental time in a child's life is more important (or, to use economic terms, pays greater long-term dividends) than an investment in paid day care services.

Given the significance of parental time with children, the tax code should in no way penalize taxpayers who forego extra income to spend substantial amounts of time with their children. Instead, the tax code should be configured to reduce the tax burden on all families with children -- irrespective of whether or how much they use paid day care services.

The Petri and the Holloway-Schulze Bills ameliorate the "parenting penalty" by breaking the link between child care expenses and tax benefits. Both of these proposals allow parents to keep more of their own earned income to purchase or provide care for their young children. Apart from eliminating the "parenting penalty," these proposals would:

- ***Reduce the Tax Burden on Families with Children***. During the last four decades, families with children have seen their federal tax liability rise dramatically. In 1948, a median-income family of four paid two percent of its gross earnings to the federal government in income and payroll taxes. Today, a median-income family of four pays 24 percent of its earnings to the Federal Treasury.

The failure of the personal exemption to keep pace with inflation has been the primary cause of rising income taxes on families with children. If the exemption had been indexed since 1948, it would now be $6,300. Instead, it is a mere $2,000.

The erosion of the personal exemption's value has had an especially deleterious effect on families with children, because the exemption is the tax code's primary mechanism for adjusting tax liability to reflect variations in family size. Since 1948, the income tax liability of families with two children has risen nearly three times as much as the income tax burden borne by single taxpayers and childless couples.

Naturally, the Petri and Holloway-Schulze Bills target the greatest tax relief to lower-income families. For families earning less than $10,000, the Petri Bill offers families ten cents per dollar earned for each preschool child and five cents per dollar earned for each school-age child (6-15 years old) up to a maximum of $2,800 per family. Similarly, the Holloway-Schulze Bill offers 12 cents per dollar earned up to a maximum of $1,000 per preschool child or $2,000 per family.

While the size of these credits gradually declines as income rises above $10,000, credit amounts remain quite large for lower- and middle-income taxpayers. For example, a median-income

family earning $30,000 a year can claim a $700 per child tax credit under the Holloway-Schulze bill, and all families with an annual income below $45,000 (including those that currently claim the Dependent Care Tax Credit) would experience a net tax reduction under Holloway-Schulze.

- *Encourage Parenting Without Discouraging Economic Self-Sufficiency*. The Petri and Holloway-Schulze Bills recognize that public policies directed at families with young children should attempt both to encourage economic self-sufficiency and facilitate parent-child interaction. These proposals are designed to help parents meet their responsibilities as both providers and nurturers.

By tying the credit's size to the amount of earned income, the Petri and Holloway-Schulze Bills differ markedly from some European child allowances which offer no work incentive to low-income families. As such, these proposals largely build on recent welfare reform initiatives which have sought to reduce dependence on government spending programs by encouraging greater economic self-sufficiency.

- *Maximize Parental Choice and Autonomy*. Allowing parents with young children to keep more of their own earned income strengthens their economic standing and gives them greater autonomy over important life decisions, such as how to care for their children. While the Petri and Holloway-Schulze Bills would not penalize familial care of children, neither would they penalize families which utilize some form of paid substitute care. Indeed, by giving parents the freedom to use their tax credit as they see fit, the Petri and Holloway-Schulze Bills ensure that parents will find it easier to provide or purchase the child care arrangement of their choice.

- *Enhance the Quality of Substitute Care*. In testimony before a Senate Subcommittee, Deanne Dixon, a licensed family day care provider, noted that parents strongly prefer family day care over center-based care for their infants and toddlers. And she noted that most family day care providers are themselves mothers of preschool children who care for their own children while offering substitute care to other families. Ms. Dixon said that offering a tax credit to families with children (rather than just those who pay for care) would prevent some family day care providers from feeling economic pressure to take in more children than they are able to adequately care for. In other words, a universal tax credit like that found in the Petri and Holloway-Schulze Bills would enhance the quality of family day care by keeping provider-child ratios low.

- *Avoid Preschool Policy Schizophrenia*. If parenting leave legislation were enacted and no changes were made in the current Dependent Care Tax Credit, the federal government would be simultaneously urging parents to take leave from their jobs to care for their newborns while offering a tax break only to those families that refused such leave and paid for child care. The Petri and Holloway-Schulze Bills address this inequity by breaking the link between day care expenses and preschool tax benefits. These proposals ensure that parents who take leave from work to care for children will not be penalized.

MR. CHAIRMAN, I believe it is time to address the economic needs of rural poor families with children. Indeed, I believe it is time to address the overtaxation of all families in America, particularly those that have been victimized by the "parenting penalty." Again, thank you for giving me the opportunity to participate in this discussion. I would be happy to respond to any questions that you or your colleagues might have.